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United States Department of State

Washington, D.C.: U.S. Government Printing Office, 1936

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Foreign  
Relations  
of the  
United  
States



1936

Volume II

EUROPE

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Washington

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Foreign Relations  
of the  
United States  
Diplomatic Papers  
1936

(In Five Volumes)

Volume II  
Europe



United States  
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1936 Jan. 9 (2440)	<i>From the Ambassador in France</i> Information on consultation with attorneys for the American brokerage houses in France, and on representations made to the Foreign Office, in a note dated January 7, on basis outlined by the Department.	101
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Undated [Rec'd Oct. 24]	<i>Extract From Report of the Ambassador in Germany</i> Confusion in the German schools due to the new measures; trend from Confessional schools to nondenominational State schools; situation of the Catholic schools.	184
Undated [Rec'd Nov. 6]	<i>Extract From Political Report of the Ambassador in Germany</i> Requirement of National Socialist Party affiliation for admittance to universities and high schools; agreement between the Education and Labor Ministries providing for representation of the Party and Labor Front on school boards.	187
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Dec. 11 (3186)	<i>From the Ambassador in Germany</i> Report on recent promulgation of legislation providing for compulsory membership of all children in National Socialist Youth organizations under the leadership of Baldur von Schirach.	189

## PERSECUTION OF JEWS IN GERMANY

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Jan. 27 (2626)	<i>From the Ambassador in Germany</i> Transmittal of a memorandum from the British Embassy in connection with contemplated submission to the German Government of claims for compensation on behalf of British Jews residing in Germany; British position as to desirability of similar representations by other foreign missions in Berlin. Suggestion as to possible U. S. action.	194
Jan. 30 (2628)	<i>From the Ambassador in Germany</i> Account of German economic discrimination against Jews; significance of preparations being made for the period of the Olympic Games to rehabilitate and enhance the reputation of the "New Germany".	197
Feb. 15 (13)	<i>To the Ambassador in Germany (tel.)</i> Department's desire to pursue the policy outlined in No. 546 of January 21 with regard to rights of American citizens in Germany, and authorization to inform the British Embassy of U. S. position.	199
Feb. 25 (2688)	<i>From the Ambassador in Germany</i> Discussion of U. S. position with British Embassy, indicating belief that collective action would not be practicable, but that keeping in touch with other missions would be desirable with regard to effective means for protecting the interests of foreign Jews in Germany.	199
Apr. 28 (920)	<i>From the Consul General at Berlin</i> Exclusion of Jews from all commerce or trading in eggs, forming a precedent for further restriction of fields of livelihood.	200
Undated [Rec'd Aug. 28]	<i>Extract From Political Report of the Ambassador in Germany</i> Information that it has become practically impossible for Jews to obtain passports, and possible reasons for this new policy. Observation that the Jewish population awaits with fear the termination of the Olympic Games period.	201
Sept. 12 (3034)	<i>From the Ambassador in Germany</i> Information that certain Jews were ordered to pay the so-called capital flight tax, although they had no intention of leaving the country; opinion that a large-scale attack on Jewish property may be organized in this manner.	202
Undated [Rec'd Oct. 24]	<i>Extract From Report of the Ambassador in Germany</i> Report on a 3-day meeting of the National Socialist Lawyers League, with a view to taking steps to eliminate Jewish influence in the teaching and interpretation of German law.	204

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AMERICAN INTEREST IN THE WORK OF THE HIGH COMMISSION FOR REFUGEES  
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Mar. 19 (4301)	<i>From the Minister in Switzerland</i> Information from the Secretary General of the League that the Inter-Governmental Conference for the adoption of legal status for refugees coming from Germany will meet at Geneva on July 2, and his inquiry as to whether the United States intends to be represented at Conference.	206
Apr. 6 (27)	<i>To the Consul at Geneva (tel.)</i> Desire that Consul attend Conference as an observer.	207
Apr. 7	<i>To the Secretary General of the League of Nations</i> Advice that the U. S. Government does not contemplate participating actively in the Conference, as the status of all persons coming to the United States is fully defined by existing legislation; but desire that an American observer attend the meetings.	207
June 6	<i>To the Consul at Geneva</i> Designation of Curtis T. Everett as observer at the Inter-Governmental Refugee Conference, and instructions (text printed) for his use.	208
June 22 (240)	<i>From the Consul at Geneva (tel.)</i> Everett's inquiry as to the scope of his activities at the Conference.	209
June 25 (79)	<i>To the Consul at Geneva (tel.)</i> Advice that Everett may furnish written information concerning pertinent U. S. immigration laws and regulations to the President of the Conference, or reply informally to personal inquiries.	210

## UNSATISFACTORY TRADE RELATIONS BETWEEN THE UNITED STATES AND GERMANY; GERMAN REPRESENTATIONS AGAINST IMPOSITION OF COUNTERVALUING DUTIES BY THE UNITED STATES

1936 Jan. 28 (712)	<i>From the American Ambassador in Germany to the German Minister for Foreign Affairs</i> Formal request on behalf of the U. S. Treasury Department for detailed information on the use of blocked marks, "Aski" marks, and other procedures used to promote exports, in order that provisions of section 303 of the U. S. Tariff Act of 1930 might be fulfilled.	210
Feb. 3	<i>Memorandum by Mr. Rudolf E. Schoenfeld of the Division of Western European Affairs</i> Conversation between Department and German officials on trade matters, during which the latter denied that a subsidy was paid German exporters, and stated that the "Aski" system was devised to meet the devaluation of the dollar.	213

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Mar. 20 (87)	<i>From the Ambassador in Germany (tel.)</i> Information that Foreign Office reply to note of January 28 has been approved by Minister for Economic Affairs Schacht and is expected on March 23.	215
Mar. 23 (91)	<i>From the Ambassador in Germany (tel.)</i> German note dated March 20 (text printed) expressing opinion that the U. S. customs law governing the levying of countervailing duties does not apply to imports from Germany.	215
Mar. 24 (92)	<i>From the Ambassador in Germany (tel.)</i> German statement (text printed) annexed to note transmitted in telegram No. 91, March 23, explaining the foreign exchange clearing methods used in commerce with the United States.	217
Mar. 30	<i>Memorandum by the Chief of the Division of Trade Agreements</i> Conversation with Dr. Meyer, First Secretary of German Embassy, who presented German proposals (text printed) for reestablishment of most-favored-nation treatment by Germany.	221
Apr. 3 (2739)	<i>From the Ambassador in Germany</i> Receipt of a Foreign Office memorandum informing the Embassy of the German proposals which had been presented to the Department by Dr. Meyer.	223
Apr. 22	<i>Memorandum by Mr. Charles F. Darlington, Jr., of the Division of Trade Agreements</i> List of questions concerning the interpretation of the German memorandum received March 30 for reference to the German Government.	224
May 4	<i>Memorandum by the Secretary of State</i> Résumé of a conversation with the Counselor of the German Embassy prior to his transfer to Berlin, who said that he would strive for German support of the U. S. international trade restoration program.	225
June 5	<i>Memorandum by the Assistant Economic Adviser</i> Résumé of a conversation with Dr. Meyer concerning a Treasury order of June 4 indicating that countervailing duties would be collected on certain German goods pursuant to the provisions of section 303 of the Tariff Act of 1930.	227
June 12 (176)	<i>From the Chargé in Germany (tel.)</i> German reaction to the recent Treasury Decision, and contemplation of sending someone to Washington with a view to clarifying the situation and trying to make a satisfactory arrangement.	229
June 13 (179)	<i>From the Chargé in Germany (tel.)</i> Further information on German reaction to Treasury Decision; opinion that Decision affords a certain U. S. bargaining advantage.	230

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1936 June 15	<i>Memorandum by the Assistant Economic Adviser</i> Résumé of a conversation with Dr. Meyer upon his presentation of a formal German note ( <i>infra</i> ) protesting against the Treasury Decision.	230
June 15	<i>From the German Ambassador</i> Formal protest against Treasury Decision 48360 of June 4, with reiteration of statements contained in note of March 20 (transmitted in U. S. Ambassador's telegram No. 91, March 23).	233
June 17 (187)	<i>From the Chargé in Germany (tel.)</i> Forthcoming departure of two officials of the Ministry of Economics, Brinkmann and Imhoff, for the United States to discuss German-American trade relations; understanding that Brinkmann has full powers to discuss recent Treasury Decision and to conclude arrangement with U. S. authorities toward maintenance of present trade.	234
June 20 (194)	<i>From the Chargé in Germany (tel.)</i> Conversation with Brinkmann, who has had no word from Washington to show U. S. desire for his visit; Chargé's favorable impression of Brinkmann, and belief that his visit would contribute to the solution of the particular question at issue, as well as to German understanding of U. S. economic policy.	235
June 22 (19)	<i>To the Chargé in Germany (tel.)</i> Willingness to receive Brinkmann subject to understanding that laws on countervailing duties are mandatory and that the Executive Branch of the Government cannot waive their application.	235
June 24	<i>To the German Ambassador</i> Acknowledgment of German note of June 15, indicating that the matter has been referred to the competent authorities.	236
June 24	<i>From the German Embassy</i> Detailed reply to the questionnaire based on the memorandum of April 22 by Mr. Darlington of the Division of Trade Agreements.	236
July 6	<i>Memorandum by Mr. Rudolf E. Schoenfeld of the Division of Western European Affairs</i> Résumé of a conversation between the Secretary and the German group, headed by Dr. Brinkmann, sent to Washington to discuss the effect on American-German trade relations of the recent countervailing duty decision.	241
July 6	<i>Memorandum by the Assistant Economic Adviser</i> Account of a conversation between officials of the Department and the German group with regard to countervailing duties against German products.	243
July 13	<i>Memorandum by Mr. Rudolf E. Schoenfeld of the Division of Western European Affairs</i> Delivery by the German group of a memorandum outlining a procedure they had proposed to their Government in order to avoid conflict with section 303 of the Tariff Act of 1930; their explanation of the proposal.	245

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July 28	<i>Memorandum by the Secretary of State</i> Conversation with the German Ambassador, who made an earnest plea against the imposition of countervailing duties on certain German exports.	247
Aug. 1	<i>From the Consul General at Berlin (tel.)</i> Advice of freeing of accounts for deliveries of goods to the United States from certain procedures as of August 3.	247
Aug. 5	<i>To the German Ambassador</i> Advice that Treasury Decision 48360 was amended on August 4, and that under this provision countervailing duties shall not apply to imports of the German goods specified in Ambassador's note of July 25 if documentary evidence shows that contract of purchase was entered into after July 25.	248
Aug. 12	<i>Memorandum by the Under Secretary of State</i> Delivery of a note ( <i>infra</i> ) by the German Ambassador, who made further representations against the countervailing duties.	248
Aug. 12	<i>From the German Ambassador</i> Notification of comprehensive German measures in connection with direct or indirect exportation of dutiable goods to the United States, with adverse effect on volume of U. S.-German trade attributable to the U. S. decisions.	249
Aug. 14	<i>To the German Ambassador</i> Information that Treasury Decision 48360 was further modified, in view of assurances given by the German Government.	250
Aug. 18 (256)	<i>From the Ambassador in Germany (tel.)</i> Résumé of a conversation with Schacht, who insisted on bilateral agreements and said that the only chance for Germany to cooperate for world peace would be international guarantees of colonial possessions.	250
Oct. 22	<i>From the German Embassy</i> Interpretation of the German statement of August 12 in view of a recent Treasury Department ruling.	251
Nov. 24	<i>Memorandum by the Assistant Secretary of State</i> Conversation with the German Ambassador and Dr. Meyer, before the Ambassador's return to Germany, concerning the status of trade possibilities between the two countries.	252
Dec. 8	<i>To the German Chargé</i> Information from Treasury Department supplementing statements contained in Department's note of the same date ( <i>infra</i> ).	254
Dec. 8	<i>To the German Chargé</i> Receipt of communication from Treasury Department (text quoted) stating its understanding concerning certain types of transactions which the German Government proposes to permit in furtherance of U. S.-German trade; request for confirmation of this understanding.	254
Dec. 16	<i>From the German Chargé</i> Confirmation of Treasury Department's understanding as set forth in Department's note of December 8.	256

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## NEGOTIATIONS FOR A SETTLEMENT OF THE DRIER CLAIM AND THE SABOTAGE CLAIMS OF UNITED STATES AGAINST GERMANY

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Apr. 21 (585)	<i>To the Ambassador in Germany</i> Department's desire that the compromise settlement reached in 1933 on the Drier case be made effective by the German Government, and instructions to take up case with the Foreign Office.	257
May 6 (135)	<i>From the Chargé in Germany (tel.)</i> Account of conversation with Minister-President Göring, in charge of the sabotage claims matter. His ideas on improvement of German-American relations and settlement of the real difficulties between the two countries.	260
May 8 (46)	<i>To the Chargé in Germany (tel.)</i> Instructions to tell Göring informally that final argument in sabotage cases is set for May 12, but that hearings might be adjourned if he gives assurance that he intends in principle to settle these claims.	262
May 9 (139)	<i>From the Chargé in Germany (tel.)</i> Information from Göring that he is instructing the German Agent to request adjournment of hearings; his belief that adjournment would be wise.	262
May 11 (49)	<i>To the Chargé in Germany (tel.)</i> Advice that German Agent only has instructions not to object to adjournment of hearings; assumption that, unless German Agent takes the initiative, the hearings will proceed as scheduled on May 12.	263
May 12 (143)	<i>From the Chargé in Germany (tel.)</i> Foreign Office failure to carry out Göring's plan for adjournment, and information that Hitler and Göring are determined to maintain Göring's position in the matter. Opinion that it would not be desirable to take up the question with Göring again.	263
May 13 (51)	<i>To the Chargé in Germany (tel.)</i> Approval of Chargé's action, and advice that Commission is now hearing arguments.	265
May 14 (52)	<i>To the Chargé in Germany (tel.)</i> Review of situation, and belief that the German Government desires to effect a compromise settlement; instructions to make it clear at all times that the Department cannot take the initiative in the matter, but is ready to cooperate in good faith.	265
May 19 (153)	<i>From the Chargé in Germany (tel.)</i> Foreign Office position that the Drier case was definitely settled by the German-American Mixed Claims Commission and therefore it was in no position to comply with U. S. suggestion for additional payment.	266

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## NEGOTIATIONS FOR A SETTLEMENT OF THE DRIER CLAIM AND THE SABOTAGE CLAIMS OF UNITED STATES AGAINST GERMANY—Continued

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May 28 (162)	<i>From the Chargé in Germany (tel.)</i> Pfeffer's delivery of a 5-point statement indicating the German Government's desire to attempt amicably to dispose of the old sabotage claims and to take up the broader problems separately. Göring's request to Foreign Office that the German Agent in Washington seek postponement of claims proceedings.	268
June 4 (169)	<i>From the Chargé in Germany (tel.)</i> Message from Pfeffer (text printed) indicating that Commission proceedings in Washington have been terminated, and transmitting Göring's willingness to receive a U. S. representative in June.	269
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June 8 (173)	<i>From the Chargé in Germany (tel.)</i> Information from Pfeffer that instructions will be sent by the Foreign Office to the German Embassy in Washington concerning visit of U. S. representative and also concerning postponement of Commission hearing set for June 17.	270
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June 18 (72)	<i>To the Chargé in Germany (tel.)</i> Advice from German Embassy that instruction received from Berlin relative to postponement of hearings implies willingness to enter into negotiations; preparation to send representatives.	271
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July 11	<i>From the American Agent and Counsel, Mixed Claims Commission</i> Account of negotiations held at Munich which resulted in a German proposal, July 6, for a compromise settlement of U. S. sabotage claims, including the Drier claim, and U. S. acceptance of the proposal, July 6 (texts printed).	272

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## NEGOTIATIONS FOR A SETTLEMENT OF THE DRIER CLAIM AND THE SABOTAGE CLAIMS OF UNITED STATES AGAINST GERMANY—Continued

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Oct. 28 (317)	<i>From the Ambassador in Germany (tel.)</i> Pfeffer's satisfaction with Department's reassurances; his memorandum dealing with sending Dr. Markau, claims expert, to Washington to expedite execution of the Munich agreement.	277
Nov. 9	<i>Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs</i> Conversation between the Acting Secretary and Dr. Markau, who indicated German desire for certain verbal changes in the agreement; Acting Secretary's attempt to clarify Pfeffer's official position, to separate claims negotiations from those on general problems, and to secure action through official channels.	278
Nov. 19	<i>Memorandum by the Legal Adviser</i> Conversation with Dr. Markau, who had received a telegram from Göring relative to arrangements for proceeding with the settlement of the sabotage claims.	281
Nov. 23	<i>Memorandum by the Legal Adviser</i> Information from the Counselor of the German Embassy that Dr. Markau is not authorized by the German Government to discuss with U. S. officials matters pertaining to the relations between the two Governments, nor is he authorized to speak even on the sabotage claims settlement.	282
Dec. 14	<i>From the American Agent, Mixed Claims Commission</i> Transmittal of two letters from Pfeffer indicating that the German Government now seeks to attach subsequent conditions to the Munich agreement. Opinion that the agreement was final and that Germany cannot evade it by endeavoring to attach subsequent conditions to it.	282

## REPRESENTATIONS IN BEHALF OF AN AMERICAN CITIZEN DEPRIVED OF RIGHT TO CONTINUE BUSINESS IN GERMANY BECAUSE OF ANTI-JEWISH REGULATIONS

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Apr. 13 (581)	<i>To the Ambassador in Germany</i> Instructions to request Foreign Office action looking toward continuance of Mrs. Spiegelberg's activities, and to indicate U. S. concern over any attempt to differentiate between American citizens because of race or religion in application of terms of the Treaty of Friendship, Commerce and Consular Rights, signed December 8, 1923.	286
Sept. 3 (3017)	<i>From the Ambassador in Germany</i> Foreign Office contention that application of the 1935 Nuremberg laws could not be considered a violation of the treaty of 1923, but willingness to consider the case as evidence of good will.	287



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REPRESENTATIONS IN BEHALF OF AN AMERICAN CITIZEN DEPRIVED OF RIGHT  
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Sept. 29 (124)	<i>To the Ambassador in Germany (tel.)</i> Instructions to take up case with the Foreign Minister, and to request a satisfactory settlement, emphasizing the importance attached thereto by the U. S. Government.	289
Oct. 19 (306)	<i>From the Ambassador in Germany (tel.)</i> Foreign Office information that Mrs. Spiegelberg has permission to continue her business conditionally, pending decision of Reich press chamber.	290
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REPRESENTATIONS IN BEHALF OF AN AMERICAN CITIZEN ARRESTED FOR SMUG-  
GLING COMMUNISTIC LITERATURE INTO GERMANY AND HELD FOURTEEN  
MONTHS IN PRISON BEFORE TRIAL

1935 July 20 (495)	<i>From the Consul at Hamburg</i> Report on the circumstances of arrest and imprisonment of Lawrence Simpson, American seaman, found in possession of Communistic propaganda material, and accused of Communist activities; Simpson's denial of intent to smuggle propaganda material ashore.	291
Aug. 17	<i>To the Consul at Hamburg (tel.)</i> Instructions to express to German authorities the hope that Simpson may be given an early trial; inquiry as to measures taken to assure Simpson of adequate legal representation.	293
Aug. 29 (521)	<i>From the Consul General at Hamburg</i> Further information on the Simpson case, and on measures taken to assure him of adequate legal representation.	293
1936 Apr. 28	<i>To the Consul General at Berlin (tel.)</i> Approval of attempt to expedite Simpson proceedings, and instructions to continue pressing for early trial.	294
July 29 (95)	<i>To the Chargé in Germany (tel.)</i> Conversation with the German Ambassador concerning Simpson's imprisonment for a year without indictment or trial; instructions to make representations at Foreign Office, expressing hope for a speedy trial.	295
July 30 (237)	<i>From the Chargé in Germany (tel.)</i> Opinion of Consulate General that no representations should be made to Foreign Office until important negotiations with the People's Court relative to approval of a lawyer for Simpson are consummated. Information that Simpson was indicted in June.	295
July 31 (98)	<i>To the Chargé in Germany (tel.)</i> Request that representations should not be unduly delayed.	296

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## REPRESENTATIONS IN BEHALF OF AN AMERICAN CITIZEN ARRESTED FOR SMUGGLING COMMUNISTIC LITERATURE INTO GERMANY AND HELD FOURTEEN MONTHS IN PRISON BEFORE TRIAL—Continued

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Aug. 31	<i>Memorandum by the Secretary of State</i> German Ambassador's report that Simpson's trial has been set for the end of September; further discussion of the case and of the Secretary's position.	296
Sept. 23 (120)	<i>To the Ambassador in Germany</i> Conversation with the German Ambassador, stressing the necessity of adequate provision to enable Simpson's presentation of all testimony advantageous to him; instructions to make oral representations to the Foreign Office.	297
Sept. 23	<i>To the Consul General at Berlin (tel.)</i> Instructions relating to proper legal assistance for Simpson, and presence of a Consulate representative at the trial.	298
Sept. 24 (289)	<i>From the Ambassador in Germany (tel.)</i> Information from Foreign Office that trial would be strictly in accordance with German judiciary proceedings, and that period of Simpson's incarceration would be applied against any prison sentence he may receive.	298
Sept. 24	<i>From the Consul General at Berlin (tel.)</i> Willingness of President of the Third Senate of People's Court to permit attendance of consular representative at trial, except possibly when evidence was being given in regard to espionage.	299
Sept. 25	<i>From the Consul General at Berlin (tel.)</i> Account of second conversation with President of People's Court; advice that Simpson now wishes to employ assistant counsel of his own choice.	299
Sept. 26 (290)	<i>From the Ambassador in Germany (tel.)</i> Presentation of <i>note verbale</i> to Foreign Office indicating that the Embassy would consider refusal to permit consular attendance at trial as contrary to provisions of the 1923 treaty.	300
Sept. 28 (121)	<i>To the Ambassador in Germany (tel.)</i> Press report indicating that Simpson has confessed to distributing Communist literature and was given a 3-year sentence minus 15 months already served; instructions, if report is correct, to attempt to get sentence suspended with understanding that Simpson be deported at once.	301
Sept. 28	<i>From the Consul General at Berlin (tel.)</i> Advice that the court has found Simpson guilty of so-called treason and espionage and has sentenced him to 3 years in penitentiary less 14 months already spent in jail.	301
Oct. 1 (297)	<i>From the Ambassador in Germany (tel.)</i> Conversation with the Foreign Minister, who held out no hope for immediate mitigation of the sentence, but suggested possibility of later readjustment.	301
Oct. 16	<i>To the Consul General at Berlin (tel.)</i> Instructions for further representations in the Simpson matter, and request for certain information in connection with the projected petition for Simpson's pardon.	302

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## REPRESENTATIONS IN BEHALF OF AN AMERICAN CITIZEN ARRESTED FOR SMUGGLING COMMUNISTIC LITERATURE INTO GERMANY AND HELD FOURTEEN MONTHS IN PRISON BEFORE TRIAL—Continued

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Nov. 7 (326)	<i>From the Ambassador in Germany (tel.)</i> Sympathetic reception of representations by the Foreign Office.	304
Dec. 1 (353)	<i>From the Ambassador in Germany (tel.)</i> Information from Foreign Office that Simpson will be released December 20 on 5-year probation; comment on helpfulness of Foreign Office in recommending favorable action on petition to Hitler. (Footnote: Simpson's departure for the United States on December 23.)	304

## GREECE

## TREATY OF ESTABLISHMENT BETWEEN THE UNITED STATES AND GREECE, SIGNED NOVEMBER 21, 1936

1935 Nov. 15 (240)	<i>To the Minister in Greece</i> Background on earlier negotiations for a treaty of friendship, commerce and consular rights with Greece, and transmittal of a draft treaty of establishment, with instructions to point out to the Foreign Office the need for such a treaty.	305
1936 Jan. 23 (13)	<i>From the Minister in Greece (tel.)</i> Greek agreement in principle to treaty negotiations; submittal of Department's draft to Foreign Office.	307
Sept. 24 (96)	<i>From the Minister in Greece (tel.)</i> Greek readiness to sign treaty as worded in the draft.	307
Sept. 25 (53)	<i>To the Minister in Greece (tel.)</i> Forwarding of full powers, with request to assure that Greek and English texts will be exactly identic in meaning.	307

## ACCEPTANCE WITH RESERVATIONS BY THE UNITED STATES OF PARTIAL INTEREST PAYMENTS ON AMERICAN LOANS TO GREECE UNDER THE AGREEMENTS OF MAY 10, 1929, AND MAY 24, 1932

1936 Jan. 30 (113)	<i>From the Greek Minister</i> Readiness of the Greek Government to pay 35 percent of the interest due on May 10 and November 10, 1935, under part II of the Debt Agreement of May 10, 1929, but maintenance that debt should be considered as a war debt.	308
Feb. 3	<i>To the Secretary of the Treasury</i> Transmittal of Greek note of January 30 ( <i>supra</i> ) and Department's draft reply for comment; opinion that payment should be accepted with appropriate reservation.	308

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## ACCEPTANCE WITH RESERVATIONS BY THE UNITED STATES OF PARTIAL INTEREST PAYMENTS ON AMERICAN LOANS TO GREECE UNDER THE AGREEMENTS OF MAY 10, 1929, AND MAY 24, 1932—Continued

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1936		
Feb. 6	<i>From the Acting Secretary of the Treasury</i> Approval of Department's position and of draft reply.	309
Feb. 8	<i>To the Greek Minister</i> Reply to note of January 30, indicating willingness to accept payment tendered, but making definite reservations in respect to the Greek debt.	310
Mar. 28	<i>To the Secretary of the Treasury</i> Suggested statement (text printed) for use in the receipt covering the 35 percent interest payment by Greece.	311
Apr. 15	<i>To the Greek Minister</i> Acknowledgment of receipt of payment, including statement that payment was received without prejudice to U. S. contractual rights set forth in the Debt Agreement of May 10, 1929.	311
Apr. 21	<i>Memorandum by the Assistant Chief of the Division of Near Eastern Affairs</i> Conversation with the Greek Minister, who explained that a Greek offer on May 10, 1936, for partial interest payment on the 1929 loan is dependent on an agreement being reached between Greece and the League Loans Committee relative to payments on the Greek Stabilization and Refugee Settlement Loan.	312
June 13	<i>To the Greek Minister</i> Notification of payments due under the agreements of May 10, 1929, and May 24, 1932, with indication of willingness to discuss any proposals pertaining thereto.	313
June 16	<i>From the Greek Minister</i> Acknowledgment of the Secretary's note.	314
Sept. 8 (327)	<i>To the Chargé in Greece</i> Transmittal of a press notice containing recommendation of the (British) Council of Foreign Bondholders and the League Loans Committee that bondholders accept the Greek proposal of a 40 percent interest payment on certain debts; instructions to observe and report on execution of proposal.	314
Oct. 29	<i>To the Greek Minister</i> Notification that a partial interest payment due from the Greek Government to the United States was deposited on October 21 with the Federal Reserve Bank of New York for credit to the account of the U. S. Treasurer.	315
Nov. 12	<i>To the Greek Minister</i> Acknowledgment of further interest payment on November 6.	315

## STATUS OF NATURALIZED AMERICANS OF GREEK RACE BORN IN TURKEY AND TEMPORARILY RESIDING IN GREECE, REQUIRED TO REGISTER AS GREEK CITIZENS BEFORE LEAVING COUNTRY

1935 Dec. 24	<i>Memorandum by the Assistant to the Legal Adviser</i> Opinion that Vasilios Hagiperos, a naturalized U. S. citizen, did not voluntarily acquire Greek nationality while residing temporarily in Greece; draft of instructions to the Legation in Greece relative to the matter ( <i>infra</i> ).	315
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## STATUS OF NATURALIZED AMERICANS OF GREEK RACE BORN IN TURKEY AND TEMPORARILY RESIDING IN GREECE, REQUIRED TO REGISTER AS GREEK CITIZENS BEFORE LEAVING COUNTRY—Continued

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1936 Jan. 16 (257)	<i>To the Minister in Greece</i> Instructions to make representations against the practice of compelling naturalized U. S. citizens, born in Turkey of parents of the Greek race, sojourning in Greece, to register as Greek citizens under article 141 of Greek Law 4324 before being allowed to leave Greece.	317
Jan. 16	<i>To the Consul General at Athens</i> Explanation of circumstances surrounding the registration of Hagiperos, indicating that his registration may be regarded as involuntary; authorization to issue a passport to him.	318
Apr. 3	<i>From the Consul at Athens</i> Comment on article 141 of Greek Law No. 4324 (text printed), and on the difficulties in most cases in determining whether registration as Greek citizens is effected voluntarily or involuntarily.	319
Sept. 11 (1335)	<i>From the Chargé in Greece</i> Foreign Office reply (text printed) to representations made in accordance with instruction No. 257 of January 16, and transmittal of a memorandum explaining Greek attitude.	321
PROPOSED CONVENTION BETWEEN THE UNITED STATES AND GREECE FOR THE EXEMPTION FROM MILITARY SERVICE OF PERSONS HAVING DUAL NATIONALITY		
1935 Aug. 28 (796)	<i>From the Chargé in Greece</i> Suggestion regarding possible negotiation of a convention with Greece similar to that with Sweden, signed January 31, 1933, exempting persons of dual nationality from military service.	322
1936 Jan. 14 (256)	<i>To the Minister in Greece</i> Instructions relative to the possibility of negotiating an agreement with the Greek Government which would dispose of problems arising from the conflict between Greek and American nationality laws. Suggestion of an article (text printed) to be used as the fundamental provision of such an agreement.	323
Mar. 24 (1111)	<i>From the Minister in Greece</i> Comments on Department's instructions, and suggestion that negotiations be limited to extending certain privileges now informally granted.	325
May 15 (295)	<i>To the Minister in Greece</i> Authorization to propose to the Greek Government negotiation of a convention embodying the article quoted in Department's instruction No. 256 of January 14.	328
July 2 (308)	<i>To the Minister in Greece</i> Approval of a phrase added to Department's draft of the article for the projected treaty.	330
	(Note: Information that the Minister did not proceed further with these proposals because of political changes in Greece and the establishment of the Metaxas dictatorship.)	331

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## REFUSAL BY THE UNITED STATES TO CONCLUDE AN AGREEMENT WITH GREECE FOR THE RECIPROCAL RECOGNITION OF IDENTIFICATION CARDS HELD BY SEAMEN

Date and number	Subject	Page
1936 Mar. 6 (321)	<i>From the Greek Minister</i> Suggestion that an agreement be concluded between the United States and Greece for the reciprocal recognition of identification cards held by seamen instead of passports.	332
Apr. 22	<i>From the Deputy Commissioner, Immigration and Naturalization Service, Department of Labor</i> View that proposed agreement would be inadvisable, with mention of adequacy of present seamen's privileges and of possible danger of increase of fraudulent entry of aliens into the United States.	332
May 8	<i>To the Greek Minister</i> Information on present regulations pertaining to alien seamen, and advice that U. S. authorities are not aware of any need for an agreement as suggested.	333

## HUNGARY

## PROPRIETY OF UNITED STATES PARTICIPATION AT THE DEDICATION OF A STATUE TO GENERAL BANDHOLTZ, FORMER AMERICAN COMMISSIONER IN HUNGARY

1936 Mar. 23 (7)	<i>To the Minister in Hungary (tel.)</i> Instructions not to attend the unveiling ceremonies of a statue to General Bandholtz, U. S. Commissioner on the Interallied Military Mission in Hungary, 1919-20, who allegedly had prevented looting of the Royal Hungarian Museum during the Rumanian occupation.	335
Mar. 27 (14)	<i>From the Minister in Hungary (tel.)</i> Opinion that Legation's refusal to be represented at unveiling ceremonies of the statue of an American highranking officer would offend Hungarians, and that compulsory absence in the United States would be the only excuse not to attend and make a speech, as already requested by Hungarians.	336
Mar. 31 (10)	<i>To the Minister in Hungary (tel.)</i> Approval of plan to be absent on U. S. leave at time of ceremony, and recognition that Legation should be represented.	336
July 17 (30)	<i>From the Chargé in Hungary (tel.)</i> Intention to attend ceremony, but not to deliver an address.	337
Aug. 7 (31)	<i>From the Chargé in Hungary (tel.)</i> Difficulty in remaining aloof without giving offense; request for authorization to deposit a wreath, with suggested statement. (Footnote: Authorization granted August 12.)	337
Aug. 26 (449)	<i>From the Chargé in Hungary</i> Description of ceremonies, and remarks (text printed) made upon depositing of a wreath.	338

## ITALY

SUSPENSION OF TRADE AGREEMENT DISCUSSIONS WITH ITALY; NEGOTIATIONS  
RESPECTING A NEW TREATY OF FRIENDSHIP, COMMERCE AND NAVIGATION;  
DENUNCIATION OF TREATY OF 1871

Date and number	Subject	Page
1936 Jan. 4 (1)	<i>To the Ambassador in Italy (tel.)</i> Informal memorandum (text printed) presented by Italian Ambassador Rosso, indicating Italian readiness to send experts to Washington to discuss trade matters; instructions to request appropriate authorities to take no steps to send experts pending U. S. reply.	340
Jan. 6 (8)	<i>From the Ambassador in Italy (tel.)</i> Advice that instructions have been carried out.	341
Jan. 15	<i>Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs</i> Conversation with Rosso, who was given a statement ( <i>infra</i> ) and told that the Department wished to suspend trade agreement negotiations with Italy for the present, but that most-favored-nation treatment would be continued as long as Italy did not discriminate against U. S. trade.	341
Undated	<i>To the Italian Ambassador</i> Reply to Rosso's memorandum of January 4 indicating that sending experts to Washington at this time could serve no useful purpose, and that it was advisable to suspend trade agreement negotiations.	342
July 21	<i>Memorandum by the Assistant Secretary of State</i> Résumé of a conversation with the Italian Ambassador during which the opinion was expressed that chances for a successful trade agreement depended upon Italy's finding a way to grant equality of treatment to the United States, and that the existing treaty of 1871 ought to be replaced by a more modern treaty.	343
Sept. 8	<i>To the Ambassador in Italy</i> Transmittal of draft text of a proposed treaty of friendship, commerce and navigation to replace the obsolete treaty of 1871; instructions to propose a joint declaration of termination of the 1871 treaty, indicating that refusal would lead to U. S. unilateral denunciation.	344
Sept. 29 (391)	<i>From the Ambassador in Italy (tel.)</i> Informal conversation with Foreign Minister Ciano regarding negotiation of a new treaty of commerce and friendship, which would require denunciation of the old treaty; Ciano's desire to study the subject.	347
Oct. 5 (401)	<i>From the Ambassador in Italy (tel.)</i> Summary of a communiqué dealing with certain economic actions adopted at meeting of the Council of Ministers, including devaluation of the lira and abolition of the ad valorem tax on imports and of the system of private compensation transactions.	347
Oct. 6 (404)	<i>From the Ambassador in Italy (tel.)</i> Conversation with Mussolini, who expressed hope for closer commercial understanding.	350
Oct. 7 (132)	<i>To the Ambassador in Italy (tel.)</i> Gratification over certain economic measures as reported in telegram No. 401 of October 5; comment on elasticity of measures, and instructions to watch their application closely.	350

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SUSPENSION OF TRADE AGREEMENT DISCUSSIONS WITH ITALY; NEGOTIATIONS  
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DENUNCIATION OF TREATY OF 1871—Continued

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1936 Oct. 8 (405)	<i>From the Ambassador in Italy (tel.)</i> Presentation of Department's draft treaty to Ciano with indication that a note denouncing the old treaty would be sent to him; his desire for a week's time to study the draft.	351
Oct. 12 (134)	<i>To the Ambassador in Italy (tel.)</i> Request for information on Italian attitude toward a joint declaration terminating the treaty of 1871.	352
Nov. 21 (481)	<i>From the Ambassador in Italy (tel.)</i> Meeting of Italian Government officials, who accepted the fundamental principles of the proposed new treaty and agreed that a counterdraft would be prepared of the provisions they considered to require modification. Intention to address a note to Ciano regarding joint denunciation of the old treaty.	352
Nov. 22 (156)	<i>To the Ambassador in Italy (tel.)</i> Department's unwillingness to accept any proposal involving bargaining on any American product. Intention of unilateral denunciation of the 1871 treaty if Italy does not agree to mutual denunciation.	353
Nov. 24 (484)	<i>From the Ambassador in Italy (tel.)</i> Italian willingness to consider joint denunciation of the treaty of 1871, if by December 15 conclusion of the new treaty does not appear likely before the first of the year.	355
Dec. 2 (169)	<i>To the Ambassador in Italy (tel.)</i> Acceptance of Italian proposal, and instructions to press for joint notice of termination as soon as possible.	355
Dec. 9 (516)	<i>From the Ambassador in Italy (tel.)</i> Request for a draft notice of joint denunciation for presentation to the Foreign Office, if it becomes evident that the treaty will probably not be concluded before the end of the year.	356
Dec. 10 (177)	<i>To the Ambassador in Italy (tel.)</i> Form of joint notification of denunciation (text printed), as requested.	356
Dec. 11 (523)	<i>From the Ambassador in Italy (tel.)</i> Receipt from Italian experts of the first 13 articles of the new treaty of commerce and friendship. Advice that the draft denunciation was handed to Foreign Office official, who felt that denunciation could be arranged within a few days.	357
Dec. 16 (530)	<i>From the Ambassador in Italy (tel.)</i> Signing by Ciano and the Ambassador of <i>procès verbale</i> , dated December 15, denouncing the treaty of 1871. Communiqué issued to the press (text printed).	357
Dec. 16 (533)	<i>From the Ambassador in Italy (tel.)</i> Receipt of remaining articles of the Italian text of new treaty; Italian version of articles 6 and 8 (text printed), which contain the most important differences.	358



## ITALY

INFORMAL REPRESENTATIONS TO THE ITALIAN GOVERNMENT WITH RESPECT TO REGULATIONS LIMITING THE TRANSFER ABROAD OF PROCEEDS FROM RENTAL OF FILMS IN ITALY

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1936 Aug. 31 (736)	<i>To the Chargé in Italy</i> Memorandum for Foreign Office (text printed) making representations against certain new regulations affecting the transfer abroad of proceeds from the rental of films in Italy.	360
Oct. 1 (14)	<i>From the Ambassador in Italy</i> Presentation of the memorandum to Prof. Guarneri, Undersecretary of State for Trade and Foreign Exchange, by the Commercial Attaché, and report on their conversation (text printed).	362
Oct. 9 (133)	<i>To the Ambassador in Italy (tel.)</i> Information that motion picture interests will close out their business in Italy if the regulations in question are maintained; instructions to renew oral and written representations.	364
Oct. 15 (31)	<i>From the Ambassador in Italy</i> Renewed representations to Guarneri, who said that certain regulations would be abandoned and explained forthcoming modifications and quota system. Transmittal of a memorandum submitted by Charles C. Pettijohn, General Counsel of the Motion Picture Producers and Distributors of America.	365
Oct. 22 (424)	<i>From the Ambassador in Italy (tel.)</i> Information that American film companies consider the contemplated Italian quotas inadequate; Pettijohn's list of conditions American companies must insist upon in order to exist. Request for instructions.	367
Oct. 23 (141)	<i>To the Ambassador in Italy (tel.)</i> Comment that outstanding objection to the regulations is the very small percentage of motion picture earnings in Italy which can be exported; belief that Pettijohn's position might be supported rather vigorously.	368
Oct. 31 (438)	<i>From the Ambassador in Italy (tel.)</i> Receipt by distributors of regulations effective for the year ending June 30, 1937; intention to present entire matter to the Foreign Minister.	369
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1936 Dec. 4 (359)	<i>From the Ambassador in Germany (tel.)</i> Information from the British Embassy that 5,000 German "volunteers" had arrived at Seville on their way to join the Franco forces. Discussion of the matter of Germans fighting in Spain.	586
Dec. 4	<i>Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs</i> British Ambassador's transmittal of a message concerning Anglo-French representations (text printed) made to the Governments of Germany, Italy, the Soviet Union, and Portugal with a view to stopping arms shipments to Spain, and proposing mediation; his indication that great importance is attached to some American public statement in support of the Anglo-French <i>démarche</i> .	587
Dec. 5	<i>Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs</i> Delivery of a message by the French Ambassador similar to the one submitted by the British Ambassador.	589
Dec. 5 (X-372)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Information from the Minister of State, prior to his departure for Geneva, that his Government would not seek foreign intervention at Geneva, but would limit itself to presenting evidence of illegal methods used by the insurgents in conduct of the war.	590
Dec. 5 (360)	<i>From the Ambassador in Germany (tel.)</i> Conversation with a Foreign Office official, who gave information of certain suggestions which had been made by the Non-Intervention Committee in London and possible German attitude.	591
Dec. 7 (511)	<i>From the Ambassador in Italy (tel.)</i> Information regarding an Anglo-French joint communication to the Governments of Germany, Italy, the Soviet Union, and Portugal, urging them to stop shipment of war material to Spain, and suggesting mediation; Ciano's unfavorable reception of proposal.	592
Dec. 7	<i>Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs</i> Inquiry from the French Ambassador as to whether the Secretary had indicated his attitude relative to the Anglo-French mediation proposal. Receipt of a British memorandum (text printed) pointing out Latin American interest in mediation, indicating intention to give publicity to the Anglo-French initiative, and expressing hope for a statement by President Roosevelt.	593
Dec. 8 (178)	<i>From the Ambassador in Spain, Then in France (tel.)</i> Report on the military situation by two war correspondents, returning from Burgos; indication that Salamanca resembles a German military camp.	593
Dec. 8 (361)	<i>From the Ambassador in Germany (tel.)</i> Advice that Foreign Office is completing its reply to the suggestions of the Non-Intervention Committee (reported in telegram No. 360, December 5); conversation with officials who expressed sympathy with the proposal, but questioned its practicability.	594



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## THE SPANISH CIVIL WAR—Continued

## I. INTERNATIONAL POLITICAL ASPECTS—continued

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1936 Dec. 8 (1213)	<i>From the Ambassador in France (tel.)</i> Conversation with Delbos, who gave a summary of the replies to the Anglo-French <i>démarche</i> received from the Soviet Union, Germany, and Italy.	594
Dec. 8 (1217)	<i>From the Ambassador in France (tel.)</i> Résumé of a conversation with Foreign Office officials regarding the forthcoming Council Meeting at Geneva to consider the Spanish question; French preoccupation to prevent any action which might give the Germans and Italians an excuse for withdrawing from the London Non-Intervention Committee.	595
Dec. 9	<i>Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs</i> Information given to the British and French Ambassadors that, upon public announcement of the Anglo-French mediation proposal, the Acting Secretary will make a statement to the press, expressing hope for some solution to end the Spanish conflict.	596
Dec. 9 (512)	<i>To the Ambassador in France (tel.)</i> Advice that no action will be taken in support of the Anglo-French proposal until it is publicly announced.	597
Dec. 9 (600)	<i>From the Ambassador in the United Kingdom (tel.)</i> Résumé of a conversation with Eden, who said that the Anglo-French proposals would be announced today; his hope that the United States might subsequently issue a statement expressing a general blessing on efforts to end the Spanish conflict.	597
Dec. 9 (601)	<i>From the Ambassador in the United Kingdom (tel.)</i> Comments on the kind of U. S. statement Eden desires. Ambassador's opinion that U. S. Government should exercise caution to avoid involvement, by implication, in the larger European issues.	598
Dec. 9 (1223)	<i>From the Ambassador in France (tel.)</i> Unfavorable attitude of Argentine Ambassador toward any attempt by his Government to intervene in Spain.	599
Dec. 10 (1240)	<i>From the Ambassador in Spain, Then in France</i> Detailed report on the various aspects of the Spanish war, and comment on the wisdom of U. S. policy of neutrality and nonintervention.	600
Dec. 10 (X-384)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Expected landing on Mediterranean coast of an insurgent expeditionary force from Majorca, chiefly composed of foreigners and convoyed by German and Italian ships and air fleet; information that Government defense plans are placed in charge of a Russian General, employing international column troops.	605
Dec. 10 (517)	<i>To the Ambassador in France (tel.)</i> Statement to the press (text printed) following a public notice in the press regarding efforts by European countries to mediate in the Spanish Civil War. (Footnote: Sent also to the Ambassador in the United Kingdom with exception of last paragraph.)	606
Dec. 10 (1229)	<i>From the Ambassador in France (tel.)</i> Delbos' explanation regarding a hoped-for statement from President Roosevelt on the Anglo-French mediation proposal.	607

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Dec. 12 (513)	<i>From the Consul at Geneva (tel.)</i> Chief points of a resolution concerning the Spanish affair, unanimously adopted by the League Council, and comments of various delegations thereon.	608
Dec. 13 (524)	<i>From the Ambassador in Italy (tel.)</i> Italian official announcement that reply to the Anglo-French <i>démarche</i> was delivered December 12, and that Germany replied simultaneously with an analogous text. Information from British Embassy that general tone of the Italian reply is favorable.	610
Dec. 14	<i>From the Consul at Gibraltar (tel.)</i> Report from German informant returning from the Madrid front on the political and military situation, indicating that Franco's forces will hold all occupied territory and will conquer more, although they would collapse without German and Italian support.	611
Dec. 14 (369)	<i>From the Ambassador in Germany (tel.)</i> Confidential statement (substance printed) regarding the Spanish war made by the official representative of the War Ministry to U. S. Military Attaché; request to repeat to War Department.	612
Dec. 14 (610)	<i>From the Ambassador in the United Kingdom (tel.)</i> Foreign Office view that all replies to the Anglo-French <i>démarche</i> support the work of the London Non-Intervention Committee, but that Germany, Italy, and Portugal offer no support for the principle of mediation; Anglo-French discussions as to further possible steps which might lead to successful mediation.	612
Dec. 14	<i>Memorandum by the Acting Secretary of State</i> Conversation with the British Ambassador, who expressed thanks for the U. S. statement in connection with the Anglo-French <i>démarche</i> .	613
Dec. 18 (2725)	<i>From the Ambassador in the United Kingdom</i> Information on Eden's statement in the House of Commons, December 16 (text printed), regarding the terms of the Italian guarantee relative to the Balearic Islands, and on a contemplated Anglo-Italian accord in the Mediterranean.	613
Dec. 24 (1294)	<i>From the Ambassador in France (tel.)</i> Foreign Office denial of a news report that Germany had been "warned" against further intervention in Spain; evidence of stiffening of French attitude toward German intervention.	614
Dec. 28 (628)	<i>From the Ambassador in the United Kingdom (tel.)</i> Foreign Office opinion that the only hope of successful mediation in Spain lies in a stalemate between the opposing forces; its opinion also relative to German loss of prestige in recent months.	615

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## THE SPANISH CIVIL WAR—Continued

## I. INTERNATIONAL POLITICAL ASPECTS—continued

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1936 Dec. 29 (377)	<i>From the Ambassador in Germany (tel.)</i> Evidence that Hitler is giving more military assistance to Spain than ever before, despite Anglo-French efforts to end the war.	617
Dec. 29 (553)	<i>From the Ambassador in Italy (tel.)</i> Substance of draft of Anglo-Italian joint declaration in respect to the Mediterranean expected to be signed soon; British Embassy's opinion that conclusion of this accord will create a favorable atmosphere for a more satisfactory arrangement regarding Spain. (Footnote: Information on exchange of notes, dated December 31.)	617
Dec. 29 (555)	<i>To the Ambassador in France (tel.)</i> Reasons for Department's having been obliged to grant two licenses for the export of airplanes to Spain, and authorization to bring facts to the attention of Foreign Office. Request to repeat to Embassies at London, Berlin, and Rome for appropriate action, and to Moscow for information only.	618
Dec. 30 (1305)	<i>From the Ambassador in France (tel.)</i> Foreign Office information that the Soviet Union has accepted the Anglo-French proposal to ban volunteers to Spain, subject to acceptance by the other powers, but that no reply has been received from Germany and Italy.	620
Dec. 30 (17)	<i>From the Consul at Seville (tel.)</i> Arrival of Italian troops and Irish volunteers; expectation of the early fall of Madrid.	620
Dec. 30	<i>From the Vice Consul at Gibraltar (tel.)</i> Presence of a new insurgent cruiser and of German warships in the Gibraltar area; indication that blockade of Straits of Gibraltar by insurgents is spreading.	621
Dec. 30 (380)	<i>From the Ambassador in Germany (tel.)</i> Résumé of a conversation with a high German official, who said he was almost certain that Hitler would accept the Anglo-French neutrality proposal.	621
Dec. 30 (229)	<i>From the Chargé in Mexico (tel.)</i> Information regarding the exportation of American-made equipment from Mexico to Spain.	622
Dec. 31	<i>Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs</i> Conversation with the Spanish Ambassador, who expressed regret at U. S. attitude toward the shipment of planes to the Spanish Government, and pointed out that while the democratic governments were keeping their word in connection with non-intervention, the Fascist governments were breaking their word and continued to pour forces and equipment into the insurgent movement.	623
Dec. 31 (190)	<i>From the Ambassador in Spain, Then in France (tel.)</i> Advice that granting of license to aircraft brokers is causing much press comment, and that Germany is citing U. S. action as justification for continuing intervention policy; suggestion in connection with use of the word "faction" in probable legislation extending the neutrality act.	624

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Dec. 31 (B-101)	<i>To the Ambassador in Spain, Then in France (tel.)</i> Advice that suggestion concerning use of the word "faction" will be brought to the attention of the proper persons.	625
Dec. 31	<i>From the Consul at Barcelona (tel.)</i> Advice that some 20,000 foreign volunteers of various nationalities have passed through Barcelona for the front since October 31; worsening of security for persons and property in the city.	625
Dec. 31 (233)	<i>From the Chargé in Mexico (tel.)</i> President's promise of cooperation with the Department to prevent airplanes or other war materials of American origin from being sent to Spain.	626

## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS

1936 July 21 (621)	<i>From the Ambassador in France (tel.)</i> Telephone conversation with Eric C. Wendelin, Third Secretary of Embassy at Madrid, who said that no American had been injured so far, that most telephone communications were interrupted, and that he had made arrangements for transportation of members of the American colony to the Embassy in case of danger. (Footnote: Information that Wendelin was left in charge of the Embassy at Madrid when the Ambassador and his staff moved to San Sebastián on July 10.)	626
July 21	<i>To All American Consuls in Spain (tel.)</i> Instructions to keep Department informed of all developments, especially as to safety and welfare of American nationals, and to make recommendations for their protection.	627
July 21 (272)	<i>To the Ambassador in the United Kingdom (tel.)</i> Instructions to express to the British authorities U. S. appreciation for measures taken by the Captain of H. M. S. <i>Shamrock</i> for safeguarding Americans in Malaga, and to inform them that U. S. ships <i>Oklahoma</i> and <i>Quincy</i> have been ordered to Spanish waters. (Footnote: Information that American tourists at Malaga had escaped on the <i>Shamrock</i> .)	627
July 22 (625)	<i>From the Ambassador in France (tel.)</i> Telephone information from Wendelin that he is preparing the Madrid Embassy with food supplies to receive American residents in case of necessity. Wendelin's account of an incident involving injury to an American. Report from Consul at Barcelona regarding situation there.	628

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July 22 (629)	<i>From the Ambassador in France (tel.)</i> Telephone information from Madrid that all Americans have been offered protection in the Embassy if they care to come; report that situation is ominous, and urgent request for cruiser <i>Quincy</i> to be sent to Barcelona.	631
July 23 (630)	<i>From the Ambassador in France (tel.)</i> Advice from Consul at Barcelona that one British and two Italian warships have arrived and are available for the protection of Americans; other details on the situation at Barcelona, and on whereabouts of certain consular personnel.	632
July 23	<i>From the Consul at Bilbao (tel.)</i> Information that Bilbao is virtually in a state of siege, and that looting may result due to food shortage; request for a war vessel to evacuate American women and children.	633
July 23 (51)	<i>From the Counselor of Embassy in Spain (tel.)</i> Description of the dangerous situation, and recommendation that an American ship be sent immediately; impossibility to communicate with Ambassador at Fuenterrabia.	633
July 23 (632)	<i>From the Ambassador in France (tel.)</i> Telephone information from Madrid that 30 women and children are in Embassy, and that more are expected; report on military situation.	634
July 23 (3)	<i>To President Roosevelt, at Sea (tel.)</i> Suggestion that certain U. S. war vessels be sent into Spanish waters to protect American nationals, in view of the serious situation in Spain and the fact that the two vessels now in European waters cannot be kept there indefinitely.	635
July 23 (240)	<i>To the Ambassador in France (tel.)</i> Advice that the S. S. <i>Exeter</i> will call at Barcelona on July 24, and the U. S. S. <i>Oklahoma</i> at Bilbao on July 25, both available for the evacuation of Americans. (Instructions to repeat to Barcelona, San Sebastián, and Madrid.)	636
July 23 (243)	<i>To the Ambassador in France (tel.)</i> Message to be conveyed to Wendelin (text printed) expressing gratification at thoroughness of reports and steps taken to protect Americans in Madrid, and giving authorization for expenditures in connection with the care of Americans and protection of the Embassy.	636
July 23 (635)	<i>From the Ambassador in France (tel.)</i> Information from Consul at Barcelona that a Consulate General car, bearing the American flag, was fired upon, and that a Spanish clerk of the Consulate General and the British driver were probably killed; Catalan government's promise to investigate.	636

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## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS—continued

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1936 July 23	<i>To the Consul at Barcelona (tel.)</i> Advice that the Belgian Government has requested U. S. cooperation in the evacuation of Belgian nationals from Barcelona, and that the Commanding Officer of the <i>Exeter</i> has been informed to give every consideration to the request.	637
July 23 (636)	<i>From the Ambassador in France (tel.)</i> Information from Madrid that practically all native Americans, numbering over 100, are in the Embassy, due to the increasingly serious situation.	638
Undated [Rec'd July 24]	<i>From President Roosevelt, at Sea (tel.)</i> Approval of ordering naval vessels from United States to Spain; suggestion relative to hiring vessels in European waters, to speed up evacuation procedure.	638
July 24 (5)	<i>To President Roosevelt, at Sea (tel.)</i> Belief that arrangements now in effect are adequate for the present emergency.	639
July 24 (637)	<i>From the Ambassador in France (tel.)</i> Telephone message from Barcelona, confirming death of the Consulate General's Spanish clerk and of his British companion; expression of regret by local authorities.	639
July 24 (643)	<i>From the Ambassador in France (tel.)</i> Telephone message from Wendelin indicating continued efforts to protect American residents in Madrid, and attempt to secure additional police protection for the Embassy.	640
July 24 (644)	<i>From the Ambassador in France (tel.)</i> Information from Foreign Office concerning location of French vessels, in Spanish waters to evacuate French nationals, which would also evacuate Americans.	640
July 24	<i>To the Consul at Barcelona (tel.)</i> Instructions to express sympathy and regret to the Spanish clerk's family; authorization to draw on Department up to \$300 for funeral expenses and payment of one month's salary.	641
July 24	<i>To the Consul at Gibraltar (tel.)</i> Advice that U. S. S. <i>Quincy</i> has been ordered to Malaga and Gibraltar to evacuate Americans; inquiry as to the number of Americans left in Malaga who wish to be evacuated; authorization to draw on Department up to \$500 to meet the emergency.	641
July 24 (649)	<i>From the Ambassador in France (tel.)</i> Information from Barcelona that the <i>Exeter</i> evacuated all Americans wishing to go and about 80 other nationals. Advice that Wendelin suggests Department try cabling direct, since it is reported that direct cable communication with America has been reestablished.	642
July 25	<i>From the Consul at Bordeaux (tel.)</i> Evacuation of foreigners from San Sebastián by British and French destroyers; intention to cable list of refugees as soon as received.	642

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## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS—continued

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1936 July 25 (48)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Advice that the <i>Quincy</i> has been instructed to visit Valencia and Malaga to evacuate American and other nationals.	643
July 25	<i>From the Consul at Barcelona (tel.)</i> Request that U. S. S. <i>Quincy</i> be sent to Barcelona, as all communications are threatened.	643
July 26	<i>To the Consul at Barcelona (tel.)</i> Advice that request has been transmitted to the Commander of the <i>Quincy</i> .	643
July 26 (24)	<i>From the Minister in Portugal (tel.)</i> Request from Madrid for approval to evacuate Americans by train to Valencia, and for authority to extend protection of the Embassy to Austrians; advice that Panamanians and Cubans will also be housed in the Embassy.	644
July 26	<i>To the Ambassador in France (circ. tel.)</i> Instructions to inform Wendelin of Department's approval to evacuate Americans by train to Valencia if Spanish Government guarantees safety and of authorization to extend protection to Austrians in his discretion. (Footnote: Sent also to Lisbon, Madrid, and to U. S. S. <i>Oklahoma</i> for notification of <i>Quincy</i> .)	644
July 26	<i>From the Consul at Vigo (tel.)</i> Public apology made to the Consul by military authorities after his vigorous protest against a public insult in the street by uniformed armed Fascist; opinion that the military will be able to protect Consulate and families.	644
July 26	<i>From the Consul at Bordeaux (tel.)</i> Message from Bowers, the Ambassador in Spain (text printed), indicating that all Americans have been evacuated from San Sebastián and Bilbao; that Embassy personnel has been transferred to Fuenterrabia, and that he feels the <i>Cayuga</i> should be in reach of Embassy in order to facilitate radio communication with Washington.	645
July 26 (660)	<i>From the Ambassador in France (tel.)</i> Expectation of severe fighting at Fuenterrabia, and advisability that Ambassador Bowers be ordered to leave with his household on the <i>Cayuga</i> for France.	645
July 26 (256)	<i>To the Ambassador in France (tel.)</i> Advice that Bowers has been authorized to leave Fuenterrabia for France or elsewhere.	646
July 27	<i>Memorandum by the Secretary of State</i> Conversation with the Spanish Ambassador, who offered his services in connection with the safety of American citizens in Spain, and described the situation in his country.	647
Undated [Rec'd July 27]	<i>From the Ambassador in Spain, Then in France (tel.)</i> Arrival at St. Jean de Luz, since unable to communicate from Fuenterrabia, in order to confer with colleagues; expectation to return to Fuenterrabia, and to spend part time in each place; request that <i>Cayuga</i> be placed at his sole disposition.	648

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## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS—continued

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1936 July 27	<i>To the Consul at Vigo (tel.)</i> Information that <i>Cayuga</i> with Ambassador Bowers aboard is proceeding along north coast of Spain to Vigo, evacuating any Americans found at points along the coast; authority to close Vigo Consulate under certain conditions.	648
July 28 (X-4)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Action of Madrid Diplomatic Corps to secure Government guarantee for protection of life and property of its members and foreign residents; consideration of joint evacuation of foreigners to Valencia or Alicante by special train.	649
July 29	<i>To All American Consular Officers in Spain (circ. tel.)</i> Authorization to extend consular facilities for protection and evacuation to the nationals of certain countries.	649
July 29	<i>From the Consul at Barcelona (tel.)</i> Information that President of Cataluña cannot guarantee protection of Americans in Barcelona, and his suggestion that foreigners be evacuated by foreign ships; breakdown of transportation and local communication.	650
July 29	<i>To All American Consuls in Spain (circ. tel.)</i> Desirability of advising American nationals to withdraw to places of safety, or to reach points from which they can be evacuated.	650
July 29 (X-7)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Reply from Foreign Office to the Diplomatic Corps relative to possible joint evacuation of foreign residents from Madrid by special train. Corps' decision to investigate railroad facilities for evacuation to a Mediterranean port.	651
July 29 (X-9)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that American press reports regarding confiscation of American property by the Spanish Government are as yet unfounded, except for requisition of American private cars for war purposes.	652
July 30 (61)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Desirability to continue cooperation with the Diplomatic Corps to obtain safeguards and guarantees with regard to train facilities to coastal points, but to inform Americans of facilities available to be used on their own responsibility.	652
July 30 (X-13)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Government's willingness to authorize extra coaches on regular trains for Valencia and Alicante, provided persons leaving thereon get a special visa. Investigation of possibility of reserving a coach on the regular Valencia train for July 30 or 31.	653
Undated [Rec'd July 30] (8030)	<i>From the Ambassador in Spain, Then on the U. S. S. "Cayuga" (tel.)</i> Assistance to officers of the Firestone plant at Bilbao in connection with the taking over of that plant by the Government to make tires for war purposes. Evacuee situation.	653
July 30	<i>From the Consul at Barcelona (tel.)</i> Information from British Admiral that all Americans desiring to leave Palma de Mallorca will be taken on a British warship.	654



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## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS—continued

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1936 Aug. 1 (63)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Telegram sent to all consular officers in Spain (text printed) relative to evacuation of American nationals. Concern over decision of a large number of Americans to remain in Madrid, and advice that funds are available for Americans who would like to leave but are in financial need.	654
Aug. 1 (X-22)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Evacuation of 111 Americans by train to Valencia, from where they will sail to Marseille aboard U. S. S. <i>Quincy</i> ; 71 Americans still in Madrid Embassy, and about 107 outside.	655
Aug. 1 (X-23)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Further action of Diplomatic Corps to protect lives and property of foreign nationals.	656
Aug. 2 (X-27)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Information as to number of U. S. citizens left in the Embassy and the Madrid Consular District; advice that those in financial need will be evacuated in accordance with instructions.	656
Aug. 3 (69)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Concern over reports indicating actual interference with American property in Spain; instructions to advise the Spanish Government that private property, whether in the hands of American nationals or temporarily abandoned by them, may not be denied the protection to which it is entitled by international law.	657
Aug. 4 (X-28)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that very few Americans are financially unable to leave Spain, but that many do not wish to leave for business or family reasons.	658
Aug. 4	<i>From the Consul at Barcelona (tel.)</i> Request for instructions relative to the filing of a claim for indemnification in the death of the Consulate General's Spanish clerk. (Footnote: Department's instructions not to file any claim.)	658
Aug. 4 (X-30)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Consideration at Diplomatic Corps meeting of safety of diplomatic missions, and interpretation of right of asylum; observations on the situation and request for amplification of instructions on asylum.	659
Aug. 5 (X-32)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Résumé of efforts to assure the safety of U. S. official buildings and residences of U. S. Government officials and private citizens.	660
Aug. 5 (70)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Belief that requests of persons other than Americans for refuge in Embassy should be discouraged, but that in circumstances where immediate question of life is at stake, an exception may be made.	661
Aug. 5 (X-33)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Representations to the Sub-Secretary of State regarding interference with American property; issuance of Embassy certificates to American firms to prevent seizure without payment.	661

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1936 Aug. 6 (X-34)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Decision at Diplomatic Corps meeting that its Acting Dean should request from the Spanish Government use of an apartment building to house those nationals who otherwise would not be protected.	662
Aug. 7	<i>From the Consul at Malaga (tel.)</i> Suggestion that U. S. and certain other governments make a joint request to the Madrid Government for assistance in the evacuation of foreign nationals from Granada, and to request similar cooperation from the insurgents at Seville.	662
Aug. 8	<i>To the Consul at Malaga (tel.)</i> Instructions to inform military authorities that the Socony-Vacuum Oil Company is sending the British registered plane <i>Gaecz</i> to evacuate Americans and other foreign nationals stranded in Granada.	663
Aug. 8 (X-39)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that 12 Americans left by train for Valencia and were taken aboard a British cruiser; comment on remaining Americans in Madrid.	663
Aug. 9	<i>From the Consul at Malaga (tel.)</i> Advice that instructions of August 8 have been carried out, but that no effective assurance can be given that plane will not be fired upon.	664
Aug. 9 (X-43)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that 15 or 20 Americans will be evacuated on cruiser <i>Quincy</i> ; comment on seriousness of the military situation, and indication that an air raid on Madrid is expected.	665
Aug. 10 (76)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Telegram from Ambassador Bowers (text printed) pertaining to the evacuation of all British and Italian nationals and officials from Spain. Authorization to leave Madrid when it seems no longer safe to remain.	665
Aug. 11	<i>To the Consul at Seville (tel.)</i> Suspension by Socony-Vacuum Oil Company of flights of the airplane <i>Gaecz</i> to Granada pending the outcome of a project for mass evacuation by train and bus; instructions to inform pilot.	666
Aug. 11 (X-47)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that British representative in Madrid does not feel situation sufficiently serious to leave, although so authorized; efforts to urge remaining Americans to leave; financial assistance to 304 persons.	666
Aug. 12	<i>From the Consul at Vigo (tel.)</i> Receipt of anonymous death threats following efforts to have an American citizen released from jail. (Footnote: Consul's departure, following Department's authorization to leave for a place of safety, leaving Vice Consul in charge.)	667

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## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS—continued

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1936 Aug. 12	<i>To the U. S. S. "Oklahoma" (tel.)</i> Desire to evacuate Americans from Granada, as requested in a message from the Consul at Seville, and advice that U. S. officials at Madrid and Malaga are authorized to cooperate in evacuation plans. Request that this message be transmitted to the Consul at Seville.	668
Aug. 12 (X-50)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Spanish importers' request for protection of merchandise purchased in United States for which American shippers have received no payment due to exchange restrictions; opinion that title has passed to Spanish importers and protection cannot be given.	668
Aug. 12 (X-51)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Representations to the Foreign Office with regard to the protection of American property and indemnification if requisitioned, and presentation of various claims in behalf of American firms.	669
Aug. 13	<i>From the Consul at Seville (tel.)</i> Safe arrival by military plane from Granada of all American tourists except one, who was left behind for lack of room; request to Consul at Gibraltar that U. S. S. <i>Oklahoma</i> be notified to pick them up in Cadiz.	669
Aug. 13 (X-54)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Decision at Diplomatic Corps meeting to seek authority from the respective governments to close missions and leave Madrid in a body, if such move seemed necessary; nonintention to leave until American nationals have been persuaded to go.	670
Aug. 14	<i>To the Ambassador in Spain, Then in France (tel.)</i> Advice that the destroyers <i>Hatfield</i> and <i>Kane</i> have been ordered to Spanish waters to relieve the <i>Oklahoma</i> , and that every effort will be made to provide vessels for the evacuation of Americans.	670
Aug. 14 (86)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Colombian Government's request that the Colombian Minister in Madrid and the Consul and his wife be given refuge in the Embassy because their lives are endangered; request for information.	671
Aug. 14 (87)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Instructions to associate himself with British representations respecting the safety and rescue of 38 staff members of the Rio Tinto Mining Corporation, including an American citizen, who are allegedly held as hostages in the Huelva Mines by "Spanish Communists."	671
Aug. 15 (X-58)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Information relative to the situation at the Colombian Legation. Belief that, until number of Americans in Madrid can be reduced, requests for refuge in the Embassy from representatives and nationals of other countries should be discouraged.	672

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## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS—continued

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1936 Aug. 16 (X-59)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that the Spanish Government has agreed to send orders to the Huelva Mines urging the miners to release the foreign staff of the Rio Tinto Mining Corporation. (Footnote: Information on safety of the American involved.)	672
Aug. 16 (X-60)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Diplomatic Corps discussion on joint withdrawal from Madrid; intent of the majority to leave only if conditions showed evidence of personal danger to foreigners.	673
Aug. 16 (64)	<i>From the Ambassador in Spain, Then in France (tel.)</i> Opinion that the number of ships sent by the Navy Department is inadequate.	673
Aug. 18 (X-66)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Government's promise of early reply to Embassy's note regarding protection of American property, and assurance that all requisitioned property will be paid for and legal steps taken to apprehend stolen property.	674
Aug. 18 (X-67)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that 151 Americans are known to be in Madrid, of whom 38 are in Embassy; estimate that 20 or 30 may leave in next few days, many more if local situation becomes critical or Embassy is closed.	674
Aug. 18 (B-1)	<i>To the Ambassador in Spain, Then in France (tel.)</i> Information that U. S. destroyers <i>Kane</i> and <i>Hatfield</i> have left New York for Spanish waters; belief that vessels now assigned will be able to patrol the Spanish coast effectively for evacuation purposes.	675
Aug. 19 (770)	<i>From the Chargé in France (tel.)</i> Telegram from the Consul at Barcelona (text printed) quoting a message from the chief of disembarkation column at Balears requesting immediate withdrawal of U. S. vessels anchored in the Bay of Palma, as this area is to be bombed by air and sea.	675
Aug. 20 (X-73)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Information on further conference regarding withdrawal of diplomatic missions from Madrid; opinion that conditions do not justify withdrawal for reasons of safety.	676
Aug. 20 (X-75)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Reference to telegram No. X-50 of August 12, and request for instructions as to possible action, in view of increasing requests from importers of American merchandise. (Footnote: Instructions as requested.)	676
Aug. 20 (90)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Request for information regarding an alleged Government blockade of various coastal areas.	677

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## II. PROTECTION OF LIVES AND PROPERTY OF AMERICANS AND OTHER NATIONALS—continued

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1936 Aug. 20 (X-77)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that censorship has been established on all incoming and outgoing mail; that, in anticipation of such possibility, requests were sent to Ambassador Bowers at Hendaye, the Paris Embassy, and the Consulates at Barcelona and Valencia, not to forward confidential material by mail.	677
Aug. 21	<i>From the Consul at Valencia (tel.)</i> Report on numerous executions of Spaniards, and doubt whether protection of life and property of Americans can be depended upon. Advice that execution of Polish honorary Consul has resulted in attempts by honorary Consuls to obtain U. S. Consulate's protection; request for instructions.	678
Aug. 21	<i>To the Consul at Valencia (tel.)</i> Authorization to exercise good offices in behalf of honorary colleagues if convinced they have no political affiliations in Spain, but advice not to compromise primary duty to obtain maximum protection for Americans.	678
Aug. 21 (X-79)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Foreign Office <i>note verbale</i> , August 20 (text printed), declaring certain Spanish ports a war zone in which merchant ships are forbidden, in order to prevent furnishing of supplies to insurgents.	679
Aug. 22 (X-80)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Description of situation in Madrid, and opinion that Government is stronger than it was two weeks ago.	679
Aug. 23 (X-82)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Formal note from Foreign Office with regard to protection of property belonging to Spanish citizens or foreigners.	680
Aug. 23	<i>From the Consul at Barcelona (tel.)</i> Résumé of the situation, and request for authorization to evacuate consular officers and staff members if their lives are in danger; request for gas masks and for additional funds for evacuation of destitute Americans.	681
Aug. 23 (X-83)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Receipt of requests for refuge in the Embassy and for assistance to leave Spain on behalf of Spanish husbands of American wives; request for opinion.	681
Aug. 24 (X-84)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that an official letter from the Embassy at Paris had been opened and censored; note of protest sent to Foreign Office.	682
Aug. 25 (94)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Note for Minister of State (text printed) in reply to <i>note verbale</i> of August 20, concerning the closing of certain Spanish ports to merchant ships. (Footnote: Delivery of <i>note verbale</i> to the Foreign Office on August 26.)	682
Aug. 25 (95)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Department's opinion as requested in No. X-83 of August 23.	683

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Aug. 25 (X-89)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Diplomatic Corps discussion regarding the question of protection of foreign missions and the inviolability of the residences of foreign diplomats, raised by certain incidents.	683
Aug. 25	<i>To the Consul at Barcelona (tel.)</i> Opinion that the furnishing of gas masks might be interpreted as a reversal of U. S. policy in urging Americans to leave Spain; authority to temporarily close office and to evacuate with American staff members, if it is unsafe to remain.	684
Aug. 26	<i>From the Consul at Barcelona (tel.)</i> Request of the Red Cross for a donation from the Consulate General. Assurance by the President of the Catalan Council that his government shall continue to give fullest protection to Americans remaining in the district.	685
Aug. 26 (X-92)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Government's expression of profound regret for violation of Embassy correspondence, and advice that the Ministry of Communications has been instructed to prevent recurrence.	685
Aug. 27	<i>To the Consul at Barcelona (tel.)</i> Instructions to courteously refuse all requests to contribute to local Red Cross or other relief funds in order to avoid any appearance of taking sides in the present Spanish situation.	685
Aug. 27 (X-100)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Foreign Office apology in connection with an incident at the British Embassy, and assurance that Government recognizes inviolability of residences of all duly accredited diplomatic representatives.	686
Aug. 29 (X-108)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that 14 guards are now assigned permanently to protect Embassy and Consulate.	687
Aug. 30 (102)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Information that U. S. destroyer <i>Kane</i> , en route to Bilbao on evacuation duty, was attacked by an unidentified plane; instructions that incident be brought to the Government's attention, and informally, with no intention as to recognition, to General Franco's attention, with request that both sides issue appropriate instructions to prevent further incidents.	687
Aug. 31	<i>To the Third Secretary of Embassy in Spain (circ. tel.)</i> Possibility that attack on the <i>Kane</i> may have resulted from lack of information by military authorities as to the presence of U. S. vessels in Spanish waters; instructions to bring description and characteristics of U. S. ships operating in Spanish waters to the attention of both factions. (Sent also to Consuls at Barcelona, Bilbao, Malaga, Seville, Valencia, and Vigo.)	688
Aug. 31 (115)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Categorical statement by the Under Secretary of State that no Government planes were operating in the area where the <i>Kane</i> incident occurred, and that the Government possessed no planes of the type described.	689

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1936 Sept. 1	<i>From the Consul at Seville (tel.)</i> Conversation with General Queipo de Llano, who would not admit that his forces were involved in the <i>Kane</i> incident, but promised investigation, and suggested that attacker might have been Russian.	690
Sept. 1	<i>To the Consul at Barcelona (tel.)</i> Instructions to assist the Costa Rican Consul in the protection or evacuation of Costa Rican nationals, should need arise.	690
Sept. 1 (B-13)	<i>To the Ambassador in Spain, Then in France (tel.)</i> Telegram sent to the Embassy at Madrid and to all American Consulates in Spain (text printed) quoting Secretary's statement to the press in reply to an inquiry as to whether United States contemplates withdrawal of U. S. ships from Spanish waters.	691
Sept. 1 (816)	<i>From the Chargé in France (tel.)</i> Telegram to Madrid Embassy (text printed) relative to Austrian request for evacuation of the Austrian Consul at Valencia in case of need.	691
Sept. 1 (0001)	<i>From the Consul at Bilbao (tel.)</i> Execution of instructions of August 31 to inform military authorities of characteristics of U. S. vessels operating in Spanish waters.	692
Sept. 1 (X-117)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Account of Diplomatic Corps meeting at which a joint appeal to "humanize" the conduct of war was discussed; opinion that meetings have little practical result.	692
Sept. 2	<i>From the Vice Consul at Vigo (tel.)</i> Advice that all financially able Americans are leaving, but that the destitute cannot leave without assistance; belief that Americans in the district are safe at present, except members of Masonic Order.	693
Sept. 2	<i>To the Consul at Valencia (tel.)</i> Authorization for evacuation of the Austrian Consul on an American naval vessel if local conditions warrant such action.	693
Sept. 3	<i>To the Consul at Seville (tel.)</i> Instructions for further conversation with General Queipo de Llano, urging careful investigation of the <i>Kane</i> incident and identification of the plane.	694
Sept. 4 (X-122)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Foreign Office note (text printed) disclaiming any connection with the <i>Kane</i> incident.	695
Sept. 5	<i>Memorandum by the Assistant Chief of the Division of Latin American Affairs</i> Conversation with the Second Secretary of the Chilean Embassy, who presented a memorandum requesting the United States to join Chile in evacuating a Spanish family from Madrid; explanation of U. S. policy of rigid neutrality.	695

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1936 Sept. 5 (X-126)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Inquiry by Acting Austrian Chargé whether U. S. Embassy would undertake protection of Austrian nationals if he should leave Madrid; reasons for reluctance to do so.	696
Undated [Rec'd Sept. 6]	<i>From the Consul General at Barcelona (tel.)</i> Catalan publication of a decree (substance printed) prohibiting all holding of gold coins and ingots in Cataluna; intention to send a protest, reserving U. S. rights to make claims in event that gold belonging to U. S. citizens is requisitioned.	697
Sept. 6	<i>From the Consul at Seville (tel.)</i> Conversation with General Queipo de Llano, stressing desirability of determining identity of plane which attacked the <i>Kane</i> .	697
Sept. 6 (X-128)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Rumors regarding the possible use of gas by insurgents in air raids on Madrid; Government's publication of first aid measures to be adopted in such an eventuality.	698
Sept. 7 (X-129)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Minister of State's call on the Acting Dean of the Diplomatic Corps, assuring protection of foreign missions and foreigners in Madrid and expressing desire that missions remain; list of missions having withdrawn.	698
Sept. 7 (109)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Reiteration of discretionary authority to close Embassy and Consulate, and to depart to a place of safety; inquiry with regard to gas masks, in view of possible attack.	699
Sept. 7	<i>From the Consul at Seville (tel.)</i> Communication from General Franco (text printed) indicating that he has no information as to the identity of the plane which attacked the <i>Kane</i> .	700
Sept. 7 (96)	<i>From the Ambassador in Spain, Then in France (tel.)</i> British Ambassador's receipt of a telegram from London indicating possibility of an insurgent gas attack on Madrid, and instructing him to confer with colleagues on wisdom of a joint warning to insurgent authorities of grave consequences of such actions. Request for instructions.	700
Sept. 8 (B-19)	<i>To the Ambassador in Spain, Then in France (tel.)</i> Instructions not to join in appeal since the Department is considering an independent appeal to both factions against the use of gas on towns and cities.	701
Sept. 8 (X-132)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Inadvisability of sending gas masks; reasons for belief that possibility of gas attack on Madrid is remote.	701
Sept. 8 (B-20)	<i>To the Ambassador in Spain, Then in France (tel.)</i> Authorization to inform colleagues, if considered advisable, of possible U. S. action as mentioned in telegram No. B-19, September 8.	702



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1936 Sept. 9 (113)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Instructions to express to the Minister of State appreciation for investigation made in the <i>Kane</i> matter, but to request renewed investigation regarding identity of the plane. (Similar instructions sent to Seville for representations to General Queipo de Llano.)	702
Sept. 9 (X-134)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Foreign Office reply (text printed) to an Embassy note regarding taking over of the General Motors plant in Barcelona.	703
Sept. 10 (49)	<i>From the Minister in Austria (tel.)</i> Foreign Office <i>aide-mémoire</i> (text printed) requesting that the U. S. Embassy in Madrid be authorized to take over the protection of Austrian citizens in Spain in case of need.	703
Sept. 10	<i>From the Consul General at Barcelona (tel.)</i> Information in connection with the gold decree, and opinion that it is questionable if the United States can go far in protecting American interests incorporated under Spanish law with none or little stock registered in American names; request for guidance.	704
Sept. 10	<i>To the Consul General at Barcelona (tel.)</i> Request for further information on the Catalan gold decree, and inquiry as to authority of the Catalan government to issue such a decree; instructions to defer protest.	705
Sept. 10	<i>To the Ambassador in Spain, Then in France (circ. tel.)</i> Announcement to the press (text printed) describing the evacuation of American nationals from Spain, summarizing present situation, and stating that the Navy Department has now ordered vessels used in evacuation to leave Spanish waters. (Footnote: Sent also to Madrid and to all Consulates in Spain.)	705
Sept. 10 (X-137)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Assurances by the Minister of State relative to the protection of foreigners and the adequacy of food and water supplies for foreign missions; opinion, despite these assurances, that Madrid may soon be cut off from food supplies.	706
Sept. 10 (344)	<i>To the Chargé in France (tel.)</i> Advice that U. S. naval vessels will be withdrawn from Spanish waters and will remain in French ports, to be available for emergency calls from U. S. missions in Spain; instructions to inform French authorities.	708
Sept. 11	<i>From the Consul at Seville (tel.)</i> Note from the provisional government at Burgos (text printed) denying involvement in the <i>Kane</i> incident. Queipo de Llano's indication that the Madrid Government had planes of the type involved.	708
Sept. 11 (35)	<i>To the Minister in Austria (tel.)</i> Advice that U. S. Embassy at Madrid is authorized to extend its facilities to Austrians, but that no unconditional responsibility can be assumed in view of the critical situation. (Repeated to Madrid.)	709

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1936 Sept. 12 (102)	<i>From the Ambassador in Spain, Then in France (tel.)</i> Request from Consul at Bilbao for instructions relative to Governor's order that foreigners may not leave for foreign destination without permission, and reply thereto (texts printed). (Footnote: Information that U. S. Chancery was moved from Hendaye to St. Jean de Luz on September 10.)	710
Sept. 12 (103)	<i>From the Ambassador in Spain, Then in France (tel.)</i> Advice that insurgent authorities at Burgos have issued instructions to military authorities in Vigo prohibiting all code messages, and that U. S. Vice Consul's protest is unavailing.	710
Sept. 12 (X-140)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Ministry of State's permission that Embassy may use its radio equipment if other communication facilities should fail.	711
Sept. 12	<i>To the Ambassador in Spain, Then in France (circ. tel.)</i> Procedure to be followed in evacuating American nationals still in Spain; desire not to order U. S. naval vessels to Spanish ports except when there are groups sufficiently large to warrant it. (Footnote: Sent also to Madrid Embassy and all Consulates in Spain except Madrid.)	711
Sept. 12	<i>From the Consul General at Barcelona (tel.)</i> Request for approval to decline compliance with requests of departed Americans to take custody of their accounts in local banks. (Footnote: Approval of proposed action.)	712
Sept. 12 (123)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Instructions to protest against enforcement by Catalan government of a decree concerning credit transactions on grounds that such arbitrary interference would be tantamount to Spanish control and virtual confiscation of American property. (Footnote: Similar instructions to Consul at Barcelona.)	712
Sept. 13 (X-144)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Considerations in favor of discontinuing the use of U. S. Embassy as place of refuge; intention to request, if Department authorizes such action, that U. S. S. <i>Quincy</i> proceed to Alicante to give American nationals final opportunity for evacuation. Request for instructions.	713
Sept. 13 (0013)	<i>From the Consul at Bilbao (tel.)</i> Broadcast from insurgent headquarters that mines will be laid in the ports of Bilbao and Santander; request for immediate instructions regarding evacuation on U. S. S. <i>Kane</i> . (Footnote: Instructions to close office and to depart on the <i>Kane</i> for France.)	715
Sept. 14 (106)	<i>From the Ambassador in Spain, Then in France (tel.)</i> Advice that Madrid Government has taken a stand asking that foreign missions return to Madrid; considerations regarding situation.	715

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1936 Sept. 14 (125)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Instructions, in view of considerations set forth in telegram No. X-144, September 13, to offer Americans in Madrid a few more days to determine whether they wish to leave on the <i>Quincy</i> , and to inform them that the Embassy will be closed as a place of refuge upon expiration of this period.	716
Sept. 14 (X-145)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Opinion that the Catalan government has no legal right to require delivery of gold, or to regulate extension of commercial credits, according to article 14 of the Spanish Constitution; note addressed to the Foreign Office in accordance with Department's telegram No. 123, September 12.	716
Sept. 15 (128)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Advice that American-owned cotton at Barcelona and Tarragona is gradually being taken over by local authorities without compliance with terms of purchase; instructions to make representations at the Foreign Office.	717
Sept. 15 (150)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that instructions in Department's No. 125 of September 14 have been carried out, with September 22 as the date set for closing of the Embassy as place of refuge. (Footnote: Authorization to draw on \$300 Red Cross fund for evacuating of destitute Americans.)	718
Sept. 16	<i>From the Consul General at Barcelona (tel.)</i> Observations on the Catalan decree pertaining to gold.	718
Sept. 16 (X-151)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Orders issued by the Under Secretary of State permitting foreign diplomatic and consular officers to use any language desired over telephone; advice that this resulted from representations following orders by Catalan authorities that only Spanish or French be used.	719
Sept. 17 (X-152)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Inference that the Spanish Government may support Catalan gold and credit decrees, possibly extending their provisions to the entire country under its authority.	720
Sept. 17 (52)	<i>From the Minister in Austria (tel.)</i> Austrian desire that U. S. Chargé in Madrid continue to do what he can for Austrian nationals in Spain.	720
Sept. 17 (B-25)	<i>To the Ambassador in Spain, Then in France (tel.)</i> Belief that return to Madrid at this time would not be desirable.	720
Sept. 18	<i>From the Consul at Malaga (tel.)</i> Explanation of situation leading to request for an American warship; evacuation of four Americans by the <i>Hatfield</i> , leaving 18 in Malaga; expectation of an attack on city.	721
Sept. 18	<i>To the Third Secretary of Embassy in Spain (circ. tel.)</i> Contribution of \$10,000 by the American Red Cross to the International Committee of the Red Cross which, after consultation both with the Madrid Government and the Junta at Burgos, will establish delegations at Madrid and Barcelona, and at Burgos and Seville.	721

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1936 Sept. 19	<i>To the Ambassador in Spain, Then in France (circ. tel.)</i> Advice that Consulates at Bilbao and Malaga have been closed, and that Consuls and American staff members were evacuated. (Footnote: Information as to circulation of this telegram.)	722
Sept. 19 (113)	<i>From the Ambassador in Spain, Then in France (tel.)</i> Diplomatic Corps decision to ignore Government's suggestion to return to Madrid.	722
Sept. 19	<i>From the Consul General at Barcelona (tel.)</i> Description of worsening situation in the city.	723
Sept. 22 (134)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Desire that serious consideration be given to desirability of closing the Madrid Embassy and Consulate and departing to a place of safety with all American staff members and any other Americans wishing to leave.	724
Sept. 22 (X-166)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that note along the lines of Department's No. 128, September 15, is being addressed to the Foreign Office; doubt as to whether Madrid Government is in a position to establish dollar credits in New York covering imports of cotton into Spain.	725
Sept. 23 (X-168)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Advice that Embassy is closed as a place of refuge, and that staff members are living at home; official advice of Government decision that all guards assigned to foreign missions and consulates be maintained.	726
Sept. 24 (135)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Instructions to withdraw from Madrid at once, unless some imperative duty compels remaining.	726
Sept. 24	<i>From the Consul General at Barcelona (tel.)</i> Requisition of the bank account of an American company by the local government; intention to lodge a protest.	726
Sept. 25 (X-174)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Considerations justifying remaining in Madrid until such time as insurgent threat to capital becomes definite and acute, and then to leave the country, if possible, in conjunction with British and French.	727
Sept. 26	<i>From the Consul General at Barcelona (tel.)</i> Official assurance that, although cotton now in Barcelona could only be paid for in pesetas, future orders would be accompanied by dollars deposited in New York.	728
Sept. 26	<i>To the Consul General at Barcelona (tel.)</i> List of points to be included in protest against requisition of the bank account of an American company.	729
Sept. 29 (140)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Instructions that Embassy premises be closed in case of withdrawal, and that the Spanish senior employee act as custodian; other details relative to withdrawal.	730

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Oct. 4	<i>From the Consul General at Barcelona (tel.)</i> Information that no reply has been received to representations made in accordance with Department's instructions of September 26; further developments in respect to payments of checks.	731
Oct. 5	<i>From the Consul at Seville (tel.)</i> Conversation with General Queipo de Llano, who confirmed radio message concerning bombardment, and said that advance notification is being given to foreign vessels and civil population of ports to be bombarded.	732
Oct. 6	<i>To the Consul at Seville (tel.)</i> Instructions to inform Queipo de Llano of U. S. desire for assurances from General Franco that sufficiently definite advance notice of proposed bombardments be given.	732
Oct. 8	<i>From the Consul at Seville (tel.)</i> Conversation with Queipo de Llano, who informed Franco of Department's request and said that he would communicate reply as soon as received.	733
Oct. 8	<i>To the Consul General at Barcelona (tel.)</i> Unwillingness to give general authority to evacuate Spanish employees of the Consulate General, but willingness to consider individual cases involving unusual circumstances.	733
Oct. 8	<i>From the Consul General at Barcelona (tel.)</i> Advice that central labor organizations are commandeering all cotton in Cataluna without respect to ownership; intended representations to the Councilor of Economy.	734
Oct. 9	<i>From the Consul General at Barcelona (tel.)</i> Councilor's surprise at news of proposed cotton seizure; his intention to lay matter before the Council.	734
Oct. 10	<i>To the Consul General at Barcelona (tel.)</i> Approval of Consul General's action.	735
Oct. 10	<i>From the Consul General at Barcelona (tel.)</i> Official assurance that Catalan government would guarantee payment of all cotton requisitioned.	735
Oct. 12 (156)	<i>To the Third Secretary of Embassy in Spain (tel.)</i> Instructions to bring the case of Patriarca, a native-born American citizen captured while serving as an aviator with the Spanish insurgent forces, to the attention of the Prime Minister, and to request assurances that Patriarca will not be executed.	735
Oct. 13 (X-210)	<i>From the Third Secretary of Embassy in Spain (tel.)</i> Official assurance that Patriarca will not be executed, and that his deportation will be sought.	736

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## CONSIDERATION OF YUGOSLAV DISCRIMINATORY TRADE PRACTICES AND PROPOSALS FOR A TRADE AGREEMENT WITH YUGOSLAVIA—Continued

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Dec. 2	<i>Memorandum by the Chief of the Division of Near Eastern Affairs</i> Résumé of a discussion with Fotitch with regard to the possibility of an agreement to set aside certain provisions of the Treaty of 1881 without denouncing that treaty. Suggestion that two possible alternatives be offered the Yugoslav Government—a draft agreement and a draft <i>modus vivendi</i> , to be communicated to the Minister with a covering note embodying a statement of U. S. trade policy.	822
Dec. 17	<i>Memorandum by the Assistant Chief of the Division of Near Eastern Affairs</i> Delivery of Department's note ( <i>infra</i> ) to the Yugoslav Minister; belief that he will present U. S. proposals, particularly the suggested <i>modus vivendi</i> , in a favorable light to his Government.	825
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## LIABILITY OF AMERICAN CITIZENS HAVING DUAL NATIONALITY FOR MILITARY SERVICE WHEN VISITING YUGOSLAVIA

1936 Feb. 4 (136)	<i>To the Minister in Yugoslavia</i> Instructions to inquire whether the attitude of the Yugoslav Government has changed concerning the possibility of concluding a treaty regarding naturalized citizens and persons born with dual nationality, first proposed by the Department in 1931.	831
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## YUGOSLAVIA

## LIABILITY OF AMERICAN CITIZENS HAVING DUAL NATIONALITY FOR MILITARY SERVICE WHEN VISITING YUGOSLAVIA—Continued

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Dec. 17 (181)	<i>To the Minister in Yugoslavia</i> Revised version of the new paragraph (text printed) for incorporation in the <i>Notice to Bearers of Passports</i> .	835

## ALBANIA

### COMPLAINT BY THE ALBANIAN GOVERNMENT AGAINST A "MARCH OF TIME" NEWSREEL AND EXPRESSION OF REGRET BY THE UNITED STATES

811.4061 March of Time/38

*The Chargé in Albania (Riggs) to the Secretary of State*

No. 230

TIRANA, October 29, 1936.  
[Received November 18.]

SIR: With reference to the Minister's<sup>1</sup> despatch No. 130 of May 29, 1936,<sup>2</sup> regarding the activities in Tirana of a Mr. S. R. Sozio, whose name appears on his business card in small letters under the legend "The March of Time", with addresses given at 21 Rue de Berri, Paris, and 4 Dean Street, London, I have the honor to transmit herewith in translation a memorandum<sup>2</sup> which I received from the Minister for Foreign Affairs.<sup>3</sup> The Minister had requested me to call at the Foreign Office and proceeded to express the disgust and indignation of King Zog and the Albanian Government at what he termed the violation of Albanian hospitality by Mr. Sozio and the gross and offensive forgeries which he said had been introduced into the film after it had left Albania. He stated that the film had been reported by Mr. George Prifti, the Albanian Consul at Boston. He asked me to report formally to my Government the reaction of the Albanian Government—which I said I would do. He also asked whether the American Government could prosecute or in any way take action against "The March of Time" or whoever was found to be responsible for the forging and circulation of the film. I replied that I feared that our federal powers did not extend to such cases, but that, if he wished to pursue the matter, he should instruct the Albanian Legation in Washington to obtain an opinion from competent legal counsel as to the possibility of court action. The Minister said that this incident had been a salutary lesson to the Albanian tourist organization which had persuaded the Government to let Sozio take films of the King, of General Sir Jocelyn Percy, British chief instructor of the Albanian *gendarmérie*, and others. The re-

<sup>1</sup> Hugh Gladney Grant.

<sup>2</sup> Not printed.

<sup>3</sup> Fuad Aslani.

sult, he said, is that from now on no American film concern will be granted a permit to expose film in Albania, unless it can display a written guarantee from the Legation (i. e. the Legation would be answerable for anything in the film to which the Albanian Government might later object). I replied that I feared the Legation could not under the regulations give such a guarantee. He said there was so much goodwill between the two countries that it was a pity to have resentment aroused in Albania against the United States by such people as these film producers. I pointed out that in the United States the Federal Government has no control over the production and showing of films and that I did not believe that American news reel concerns would with deliberate malice countenance forgeries such as the ones alleged by him. He did not give the name under which the film was shown.

I understand from private sources that the film or variations of it have been shown in various parts of the United States and that one of the forged scenes shows King Zog watching a local hotel with binoculars at night and subsequently telephoning some foreign guests asking if he might be allowed to join in their card game (a story of this nature appeared in an American publication some 2 or 3 years ago). I also understand that the "March of Time" has published still photographs in England taken from this film and showing General Percy under a caption indicating that he was losing his position since the instruction of the *Gendarmerie* had been turned over to Italian officers—which so far is untrue.

On consideration, and supposing all the allegations to be true, I find it difficult to believe that the Italian Government would consider such distortions in its interest, as it is desirous of enjoying as far as may be possible the goodwill of King Zog and his Government. Hence it seems improbable that Sozio could have forged his film (if he did so) at the instigation of the Italian authorities. If the forgeries were due to any cause other than the desire to pander to the public taste for cheap sensations, the agency must be sought rather in quarters hostile to Italian ambitions.

Respectfully yours,

B. REATH RIGGS

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811.4061 March of Time/39: Telegram

*The Acting Secretary of State to the Chargé in Albania (Riggs)*

WASHINGTON, November 23, 1936—noon.

22. Legation's despatch No. 230, October 29, 1936. If you consider it desirable under the circumstances you may convey to the Minister

for Foreign Affairs the following message from me in reply to the protest enclosed with your despatch under reference :

“There is no one more than I who deprecates the exhibition of such films as ‘The March of Time’ which caused offense to the Albanian Government and people. It is the desire of the American Government to strengthen the friendly ties existing between it and other governments. The foreign relations of the American Government are conducted on the basis of complete respect for the rights and sensibilities of other nations. My Government, therefore, deploras any action of private citizens that is in discord with this policy and that causes offense to the peoples of other countries. That such action may occur from time to time to embarrass my Government in the accomplishment of its purpose is understandable in the light of our tradition of freedom of speech and of the press, a tradition which is cherished by every citizen as part of the national heritage, and a right which is guaranteed under our Constitution. Nevertheless, my Government deeply regrets any such occurrence that might reflect upon the cordial ties of friendship that unite the peoples of our two countries.”

Please report action by telegraph.

MOORE

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811.4061 March of Time/40 : Telegram

*The Chargé in Albania (Riggs) to the Secretary of State*

TIRANA, November 27, 1936—7 p.m.  
[Received November 27—6 p.m.]

36. Department's telegram No. 22, November 23, noon. In interview today with the Prime Minister <sup>4</sup> and Acting Minister of Foreign Affairs I presented copy of message and added suitable oral explanations in full. Prime Minister was cordial and courteous and desired to express the thanks of himself and his Government for the friendly and considerate message. He said he understood the situation but gently remarked that nevertheless sovereigns and heads of states should be immune from slander and ridicule. I replied that greatly as it deplored such cases our Government had no legal power to take action. I cited the recent case with Japan.<sup>5</sup> My impression is that he now considers matter officially closed.<sup>6</sup>

RIGGS

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<sup>4</sup> Mehdi Frasheri.

<sup>5</sup> See telegram No. 119, September 16, 6 p.m., to the Chargé in Japan, and telegram No. 187, September 17, 5 p.m., from the Chargé in Japan, vol. iv, pp. 296 and 298.

<sup>6</sup> The American Minister, after his return to Tirana, reported in his despatch No. 269, December 23, 1936, that he had an audience with King Zog on December 17, when he mentioned “the profound regret of my Government over this incident,” and in reply His Majesty expressed “his sincere gratitude for the attitude” of the United States Government. (811.4061 March of Time /45)

## AUSTRIA

### PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND AUSTRIA<sup>1</sup>

611.6331/140

*Memorandum by the Chief of the Division of Western European  
Affairs (Dunn)*

[WASHINGTON,] October 13, 1936.

The Austrian Minister<sup>2</sup> called this morning and said that he wished to bring before the Department informally the sense of the conversation he had had with the Minister of Commerce of Austria just before leaving Vienna to come back to his post. He said the Minister of Commerce had sent for him and had stated that approximately 70 per cent of Austrian international trade now came within the framework of reciprocal trade and clearing arrangements; that of the balance of 30 per cent not under such control, 80 per cent consisted of trade with the United States and that as trade with the United States resulted in a large and unfavorable balance against Austria he felt some action should be taken with a view to reducing their imports from the United States into Austria and increasing Austrian exports to this country. The Minister stated that he explained that such action would be contrary to the trade program of the Secretary of State and furthermore that as there was no governmental control of international trade in this country, it would not be within the province of the American Government to direct the purchases of its nationals to any particular country.

The Minister said that he very shortly thereafter had a talk with Mr. Schiller, an economic expert in the Ministry of Commerce, and that Mr. Schiller had told him he would make a specific study of the Austrian-American trade situation and would talk to the Minister of Commerce about it and would in due time send the Minister specific instructions, giving such suggestions as he thought might be feasible of execution with respect to American-Austrian trade relations. Mr. Schiller stated that he understood the limitations of the American Government with regard to the trade of its own nationals and stated that he furthermore realized that it would be difficult to divert Austri-

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<sup>1</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 95-101.

<sup>2</sup> Edgar L. G. Prochnik.

an purchases of cotton and copper and some other raw materials from the United States to other countries, as the mills and machinery in Austria were so accustomed to the American raw material that it would be expensive and difficult to make use of material from other countries, and that, furthermore, it would be very difficult to substitute new credit arrangements for those which have been of such long standing in the trade between the two countries.

I assured the Minister that upon receiving the suggestions he expected to have from his Government we would make a very thorough canvass of the situation and would be glad to undertake any steps which might be feasible in order to improve the mutual situation of the two countries. It was not necessary to go into any extended explanation of our trade agreement program and our present commercial policies as the Minister had previously stated that he was entirely conversant with the program, was heartily in sympathy with it and only hoped that it would be possible eventually to have Austria come into the system so ably advocated by the Secretary.

JAMES CLEMENT DUNN

611.6331/142

*The Minister in Austria (Messersmith) to the Secretary of State*

[Extract]

No. 995

VIENNA, December 17, 1936.

[Received December 31.]

SIR: I have the honor to refer to my confidential despatch No. 949, of November 6, 1936,<sup>s</sup> in which I reported a conversation which I had with the Secretary of State for Foreign Affairs, Dr. Schmidt, and in which conversation he expressed the opinion that the time might have arrived when the Austrian Government could consider taking the initiative in opening conversations with our Government for the conclusion of a trade agreement under our Trade Agreements Program. In this despatch I expressed doubt as to whether Austria was yet in a position to undertake such conversations with us, and ventured the opinion that this matter was one in which we for the present should not take the initiative. I went into my reasons for this opinion in considerable detail.

The trade relations between the United States and Austria have been developing during the last few years in a satisfactory manner. Our exports to Austria have slowly, but steadily increased, and Austria's exports to the United States have increased. The development of our

<sup>s</sup> Not printed.

trade with Austria has been an index of the better internal situation in Austria. There have, however, been some minor discriminations against American goods which I deemed it advisable to bring to the attention of the Foreign Office, as I considered that this movement, if not stopped, might create unfavorable background for the eventual negotiation of a trade agreement. I therefore called at the Foreign Office on December 11th and had a long conversation with Dr. Wildner, of the Economic Section, and brought to his attention certain developments, principally with regard to apples, moving picture films, roadside gasoline pumps, and rice. I have covered my conversations with Dr. Wildner about these matters in my despatch No. 994 of December 16, 1936, with respect to rice, and No. 987 of December 11, 1936, on motion picture films.<sup>4</sup> These despatches may be found of interest in connection with this one.

During the course of my conversation with Dr. Wildner the question of Austria undertaking conversations with our Government for the conclusion of a trade agreement arose. I said that I had discussed this matter with the Secretary of State for Foreign Affairs some weeks before. Dr. Wildner said that he was very much interested in our Trade Agreements Program, but expressed the opinion that the time was not yet ripe for Austria to initiate conversations on this subject. The situation in Central and Southeastern Europe, he said, was still too unsettled.

I had an appointment, after seeing Dr. Wildner, to see the Secretary of State for Foreign Affairs, Dr. Schmidt, in order to leave with him copies of the President's and of the Secretary's speeches at the Buenos Aires Conference.<sup>5</sup> I took occasion to tell the Secretary that I had just had a long conversation with Dr. Wildner on certain minor discriminations against American trade, and mentioned that Dr. Wildner had also taken up the question of a trade agreement. Dr. Schmidt replied that he regretted that the circumstances were not such yet as to make it advisable for Austria to take the initiative in this matter. I said that I quite appreciated this situation, but hoped that the time would soon arrive when such conversations could be initiated. I believe from what Dr. Schmidt and Dr. Wildner told me there will be no initiative by the Austrian Government for the present.

As this question of a trade agreement was raised by both Dr. Schmidt and Dr. Wildner, and as the conversations took place on the eve of the negotiations with Germany for a new Austro-German trade agreement, I thought it desirable to take this opportunity to give both of them further information concerning our Trade Agreements Program.

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<sup>4</sup> Neither printed.

<sup>5</sup> For texts of speeches, see Department of State, *Press Releases*, December 5, 1936, pp. 423 and 432.



I am transmitting herewith a memorandum covering my conversations with Dr. Schmidt and with Dr. Wildner,<sup>6</sup> which, I believe, the Department will find of interest. Both of them have expressed a very keen interest in our Trade Agreements Program, and are, I believe, now quite fully informed with respect to its objects. I have the definite feeling that both of them would like to see Austria initiate conversations leading to such an agreement with us, but realize that until Austria's relationships with some of her neighbors are cleared up, the negotiation of a trade agreement with us would be very difficult.

Respectfully yours,

GEORGE S. MESSERSMITH

611.6331/148

*The Minister in Austria (Messersmith) to the Secretary of State*

No. 1001

VIENNA, December 29, 1936.  
[Received January 14, 1937.]

SIR: I have the honor to refer to my confidential despatches Nos. 949, of November 6,<sup>6</sup> and 995, of December 17, 1936, reporting on the interest of the Austrian Government in a trade agreement with the United States and on the status of the negotiations in progress for a new trade treaty between Austria and Germany. Although these despatches bring this position to date, I have to transmit the following further information which may be of interest to the Department.

In the foregoing and previous despatches I have indicated that it was quite probable that during the course of the Austro-German negotiations for a trade treaty the large favorable balance which we have in our trade with Austria would be brought up by the German negotiators. The negotiations with Germany were resumed, as I have already reported, on December 14. Shortly afterwards I was informed on good authority that the head of the German Delegation, Dr. Clodius, was proposing indirectly, if not directly, that as the Austrians did not wish to take armaments material from Germany in the quantity Germany desired to export, and were unable to take coal from Germany in any quantity on account of existing agreements with Czechoslovakia and Poland which Austria did not wish to denounce, that Austria should import the raw materials, which she is now getting directly from the United States, through Germany. Germany, Dr. Clodius is said to have proposed, would undertake the responsibility of supplying the Austrian industries with these raw

<sup>6</sup> Not printed.

materials, and Austria would be reducing her large unfavorable balance of trade with the United States, and instead of paying in dollars to the United States for these materials, would pay Germany in agricultural products which Germany was prepared to accept and which Austria was eager to export.

Although the proposal seemed fantastic and I doubted whether the German negotiators would actually propose it, the information came to me from such a good source that I deemed it advisable to call at the Foreign Office on December 21, and I also had conversations with the President of the National Bank and with my Italian colleague. I have been able to determine that the proposition was not formally made by the German Delegation during the conversations, and I have been assured by the Secretary of State for Foreign Affairs that if the Germans made such a proposal it would not be accepted. In my conversations at the Foreign Office and with the President of the National Bank I again went into the underlying principles of our trade agreements program, calling attention to the favorably developing trade between Austria and the United States, and expressed the hope that Austria would not make any arrangements with any country which would tie her hands so as to interfere later with the negotiation of a trade agreement with us.

I have reason to believe that these conversations proved to be helpful to the Austrian authorities who, while expressing the opinion, as I have already reported, that the time was not yet ripe for conversations with us on a trade agreement, stated that Austria would certainly not bind her hands in any way which would interfere with the possibilities of agreements with other states or with her favorably developing trade relations with other states.

The Austro-German negotiations were interrupted on December 22, on account of the Christmas holidays and it is officially announced that they will not begin again until January 4. The possibilities are that they will not begin until later in January. No official announcement has been made concerning the progress of the negotiations, but I am informed that the conversations so far have been confined largely to an exchange of views and have served principally to show the great difficulties in the way of a trade agreement. The German proposals are such that they are unacceptable to the Austrians. The pressure of the agricultural interests in Austria remains strong for they see in Germany their only present market for surplus agricultural products. There is every indication, however, that the Austrian attitude has much stiffened and unless there is a very material change in the situation the negotiations, when resumed, will be as difficult as they have been up to this point and there is little promise of any worth while results. So far as can be seen now, there will be some further arrange-

ments covering German tourist traffic to Austria, and increased agricultural exports from Austria to Germany of probably a maximum of Schillings 20,000,000 a year. The results therefore promise to be disappointing to both Germany and Austria, and the most interesting feature of them which has developed is the stiffened Austrian attitude and the apparent determination not to finance increased Austrian exports to Germany at the expense of the Austrian treasury.

Any further information which may develop which may be of interest to the Department will be transmitted without delay.

Respectfully yours,

GEORGE S. MESSERSMITH

## BELGIUM

### POSTPONEMENT OF NEGOTIATIONS RESPECTING A SUPPLEMENTARY TRADE AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM<sup>1</sup>

611.5531/665

*The Acting Secretary of State to the Belgian Ambassador (Van der Straten-Ponthoz)*

WASHINGTON, August 11, 1936.

EXCELLENCY: I have the honor to refer to Your Excellency's note of March 31, 1936,<sup>2</sup> transmitting copies of the Belgian counter proposals to the draft of general provisions<sup>3</sup> intended to complete the trade agreement signed on February 27, 1935, between the Belgo-Luxemburg Union and the United States of America.

You will recall that as negotiations for the Belgian-American trade agreement were concluded, it was understood that the general discussion of the provisions would be undertaken at an early date thereafter. It was thought that the negotiation of general provisions could be undertaken without further public hearings as provided for in the Trade Agreements Act of June 12, 1934.<sup>4</sup> As a result of further consideration of this matter, however, it is the opinion of the Department of State that it will not be possible to supplement the present provisions of the agreement with additional provisions unless they are effected in accordance with the procedure prescribed in Section 4 of the above-mentioned Act. The prescribed procedure requires that public notice be given of intention to negotiate and an opportunity be given to interested persons to present their views in respect thereto.

I think you will agree with me that such a procedure, which might result in pressure for the renegotiation of the entire agreement, would be unwarranted at this time. I suggest, therefore, that the matter of supplementing the present provisions of the agreement by those

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<sup>1</sup> For previous correspondence respecting the trade agreement, see *Foreign Relations*, 1935, vol. II, pp. 102 ff. For text of the reciprocal trade agreement between the United States and the Belgo-Luxemburg Union signed February 27, 1935, see Department of State Executive Agreement Series No. 75, or 49 Stat. 3680.

<sup>2</sup> Not printed.

<sup>3</sup> For text of standard general provisions, see *Foreign Relations*, 1935, vol. I, p. 541.

<sup>4</sup> 48 Stat. 943.

of a more general character be held in abeyance until some more favorable opportunity to proceed with the matter presents itself.

Accept [etc.]

WILLIAM PHILLIPS

611.5531/684

*Memorandum by the Assistant Secretary of State (Sayre)*

[WASHINGTON,] September 16, 1936.

I attended luncheon at the Belgian Embassy on Saturday, September twelfth. At the luncheon in a very informal conversation with Prince de Ligne,<sup>5</sup> in speaking of the Belgian trade agreement, the Prince asked when we would be ready to negotiate general provisions for the trade agreement. I said that I felt that the next two months would be an unfavorable time for entering into negotiations because of the political activities which would be taking place in this country. I said that after the elections were over we could then consider the matter. The Prince said there were a few minor matters, however, which he hoped could be looked into.

This afternoon the Prince called upon me and, again speaking in a very informal way, suggested three subjects, i. e., plant quarantine, malt and prayer books, which he thought might be looked into quietly without waiting for the negotiation of the general provisions. He handed me the attached informal memorandum on these subjects.<sup>6</sup> I promised him that we would have the matter looked into.

F[RANCIS] B. S[AYRE]

611.0031/2505

*Memorandum by the Secretary of State*

[WASHINGTON,] October 14, 1936.

The Ambassador of Belgium came in without notice and with no particular business. He simply asked a few general questions about the economic drift with the result that we had some interchange of ideas not in any sense new. I, as usual in such conversations, emphasized the broad objective and the extreme necessity for the success of the economic program this country is supporting, as well as how vital I consider it that important countries, especially in Europe, do likewise; and that this offers the only alternative to a purely militaristic course. I said that peace-loving countries can increase their armaments for purely defensive purposes if they feel justified and are justified in doing so, while at the same time supporting our broad liberal

<sup>5</sup> Prince Eugene de Ligne, Counselor of the Belgian Embassy.

<sup>6</sup> Not printed.

program having for its twin objective the restoration of stable business conditions and conditions of permanent peace; that this country has been bearing the brunt in this fight; and that we have generalized our agreements and are continuing to do so, while most European countries are clinging to the cut-throat, bilateral method alone, and few of them are generalizing. I made one exception—the case of Belgium and her trade agreement with France. I concluded by earnestly emphasizing the importance of trading countries in Europe carrying forward this program in its broad sense as I had just described it to the Ambassador.

C[ORDELL] H[ULL]

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**EXCHANGE OF VIEWS BETWEEN THE UNITED STATES AND BELGIUM  
RESPECTING THE INTERPRETATION OF THE NATURALIZATION CON-  
VENTION OF NOVEMBER 16, 1868<sup>1</sup>**

855.012/21

*The Belgian Ambassador (Van der Straten-Ponthoz) to the Secretary  
of State*

[Translation]

No. 1005

WASHINGTON, March 23, 1936.

[Received April 6.]

MR. SECRETARY OF STATE: I have the honor to advise Your Excellency that article 18, 4th, of the law on the acquisition, loss and recovery of Belgian nationality coordinated by Royal Order (*Arrêté*) of December 14, 1932, provides that the following lose their Belgian nationality: "the unemancipated minor children of a Belgian who has become a foreigner by application of this article and who exercises the right of custody over them if they acquired the foreign nationality at the same time as their author".

Moreover, the first article of the Belgo-American convention of November 16, 1868, stipulates that Belgians who shall have been naturalized in the United States shall be considered by Belgium as citizens of the United States.

According to article 2172 of the revised laws of the United States<sup>2</sup> "a child born outside the United States of foreign parents shall be presumed an American citizen by reason of the naturalization acquired by its author, provided such naturalization was acquired during the minority of the child, and with the full understanding that

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<sup>1</sup> For text of convention, see William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1776-1909* (Washington, Government Printing Office, 1910), vol. I, p. 80.

<sup>2</sup> Rev. Stat. 2172.

such nationality acquired by such minor shall begin only from the time when the said minor shall reside permanently in the United States.”

Article 18, 4th, of the Belgian law cannot be cited to deprive of his Belgian nationality a minor child who falls under the application of article 2172, above cited, the foreign nationality not having been acquired by him at the same time as by his author.

However, the question may arise of whether the first article of the above-mentioned convention is applicable to him. Is the child in question considered by the United States as a naturalized American in the meaning of the said article?

If so, he would lose his status as a Belgian native not by virtue of article 18, 4th, of the coordinated law of December 14, 1932, but by application of the first article of the convention of 1868.

To this end, and by order of the Belgian Government, I have the honor to resort to Your Excellency's habitual courtesy, and I should be very grateful if you would inform me whether the Government of the United States considers such child as a naturalized American or as an individual who has become an American as a matter of right, but not by naturalization.

It seems that the word naturalization, which is used in the above cited convention, can apply only to a voluntary acquisition of nationality obtained upon a special request, which is not true in the case of a minor child of a Belgian naturalized American, such child becoming an American citizen, if he resides in the United States at the time of his father's naturalization, without any expression of will on his part.

Thanking Your Excellency for the opinion you may be good enough to give, I avail myself [etc.]

R. v. STRATEN

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855.012/21

*The Secretary of State to the Belgian Ambassador (Van der Straten-Ponthoz)*

[WASHINGTON,] April 17, 1936.

EXCELLENCY: I have the honor to acknowledge the receipt of your note, No. 1005, of March 23, 1936, in which you make inquiry concerning the status under the law of the United States of a Belgian child who is a resident of the United States at the time of his father's naturalization as a citizen of this country, or who is not a resident of the United States at the time of his father's naturalization as a citizen of this country but takes up residence herein before attaining the age of twenty-one years. You point out that under the provisions of

Article 18 of the law on the acquisition, loss and recovery of Belgian nationality, which, it is assumed, is the law of May 15, 1922, "the unemancipated minor children of a Belgian who has become a foreigner by application of this article and who exercises the right of custody over them if they acquired the foreign nationality at the same time as their author" lose their Belgian nationality. Under the provisions of this Article Belgian nationality is not lost by a Belgian child whose parent having custody over him is naturalized as a citizen of the United States unless such child is residing in the United States and acquires the citizenship of the United States coincidentally with the parent. You request that you be advised whether the Government of the United States considers that a Belgian child who acquired the citizenship of the United States as a result of the naturalization in this country of the Belgian parent having custody of him has the status of a naturalized citizen or of an individual who has become a citizen of the United States as a matter of right, and you inquire whether such child should be considered as coming within the scope of Article 1 of the Treaty of November 16, 1868, between the United States and Belgium.

Article XIV of the Amendments to the Constitution of the United States provides that "All persons born or naturalized in the United States and subject to the jurisdiction thereof are citizens of the United States . . .". It will be seen from this provision that citizenship of the United States is acquired by birth in the United States or by some form of naturalization. It has long been held by the United States that citizenship acquired by a minor through the parent's naturalization is in effect a process of naturalization, according to law. The matter was discussed by the Supreme Court of the United States in the case of the *United States v. Wong Kim Ark* (169 U. S. 649). In that case the Court stated that:

"Every person born in the United States and subject to the jurisdiction thereof, becomes at once a citizen of the United States, and needs no naturalization. A person born out of the jurisdiction of the United States can only become a citizen by being naturalized, either by treaty, as in the case of the annexation of foreign territory, or by authority of Congress exercised either by declaring certain classes of persons to be citizens, as in the enactments conferring citizenship upon foreign-born children of citizens, or by enabling foreigners individually to become citizens by proceedings in the judicial tribunals, as in the ordinary provisions of the naturalization acts."

It will be observed that a person born outside of the jurisdiction of the United States can become a citizen of this country only in accordance with the provisions of a treaty or Federal law.



In the light of the Constitutional provision above mentioned, it is obvious that at the time of the negotiation of the treaty between the United States and Belgium the United States considered that Article 1 would be applicable to any Belgian child who acquired the status of a citizen of the United States by virtue of the naturalization in this country of his parent. The view that citizenship of the United States acquired by a minor through the parent's naturalization is in effect a process of naturalization according to the law of the United States has been so held by other countries which have been parties with the United States to naturalization treaties.

While in your note under acknowledgment reference is made only to the provisions of Section 2172 of the Revised Statutes of the United States as having relation to the acquisition of American citizenship by alien children through the naturalization in the United States of their parents, and for the purpose of your note it does not seem necessary to discuss other provisions of American law having a bearing upon the same subject, attention is nevertheless called to Section 5 of the Act of March 2, 1907,<sup>9</sup> and that Section as amended by Section 2 of the Act of May 24, 1934.<sup>10</sup> These Sections are quoted for your convenience:

Section 5, Act of March 2, 1907.

"That a child born without the United States of alien parents shall be deemed a citizen of the United States by virtue of the naturalization of or resumption of American citizenship by the parent: *Provided*, That such naturalization or resumption takes place during the minority of such child: *And provided further*, That the citizenship of such minor child shall begin at the time such minor child begins to reside permanently in the United States."

Section 2, Act of May 24, 1934.

"Section 5 of the Act entitled 'An Act in reference to the expatriation of citizens and their protection abroad', approved March 2, 1907, as amended, is amended to read as follows:

"Sec. 5. That a child born without the United States of alien parents shall be deemed a citizen of the United States by virtue of the naturalization of or resumption of American citizenship by the father or the mother: *Provided*, That such naturalization or resumption shall take place during the minority of such child: *And provided further*, That the citizenship of such minor child shall begin five years after the time such minor child begins to reside permanently in the United States."

Accept [etc.]

For the Secretary of State:  
WILBUR J. CARR

<sup>9</sup> 34 Stat. 1228.

<sup>10</sup> 48 Stat. 797.

711.554/11

*The Belgian Ambassador (Van der Straten-Ponthoz) to the  
Secretary of State*

[Translation]

D. 2668

WASHINGTON, July 29, 1936.

No. 2919

MR. SECRETARY: In a letter dated April 17 last, No. 855.012/2[21], Your Excellency was good enough to send me certain information concerning the sense which the American authorities attributed to the word "naturalized" appearing in the Belgo-American Convention of November 16, 1868.

I hastened to communicate that information to the Ministry of Foreign Affairs at Brussels.

I have just been commissioned and have the honor to express below to Your Excellency the viewpoint of the King's Government regarding this question.

The Convention concluded between Belgium and the United States of America on November 16, 1868, approved by the law of July 2, 1869, provides in Article 1:

"Belgians who may or shall have been naturalized in the United States will be considered by Belgium as citizens of the United States. Reciprocally, citizens of the United States who may or shall have been naturalized in Belgium will be considered by the United States as citizens of Belgium." Article 4 on the other hand specifies that:

"Belgians naturalized in the United States shall be considered as Belgians by the United States, when they shall have recovered their character as Belgians, *according to the laws of Belgium*. Reciprocally, citizens of the United States naturalized in Belgium, shall be considered by Belgium as citizens of the United States when they shall have recovered their character as citizens of the United States, according to the laws of the United States."

According to the opinion of the American authorities, the term "naturalized" appearing in Article 1 applies to any form of acquisition of American nationality, other than acquisition by the fact of birth on American soil.

In this way there shall be considered as naturalized, not only a minor who, residing with his parent in the United States, acquires American nationality from the fact of the naturalization of such parent, but also a minor who, residing abroad at the time of the naturalization of his parent, subsequently establishes himself in the United States and acquires American nationality, at the date of his establishment.

This interpretation gives rise to new cases of loss of Belgian nationality.

The case of a minor who, residing in the United States, acquires American nationality from the fact of the naturalization conferred upon his parent does not present any difficulty. It corresponds exactly to the possibility foreseen in Article 18, 4th of the coordinated laws on Belgian nationality and there is no need to appeal to the Belgo-American Convention to verify the fact that the party concerned has lost Belgian citizenship.

Quite different is the case of the individual to whom the benefit of the naturalization conferred on his parent is recognized only as of the date when he establishes himself in the United States. That is a method of acquiring a foreign nationality which is not found in Belgian laws. Is it a question of voluntary acquisition of nationality or an acquisition *ipso facto*?

In the opinion of the King's Government the nonemancipated minor child of a Belgian who has voluntarily acquired a foreign nationality does not lose his Belgian citizenship unless he has acquired the foreign nationality "at the same time as his parent." Nothing in the preparatory work of the Belgian law of May 15, 1922, on nationality in which this text appears permits of attributing to this last clause a meaning other or more extensive than its literal meaning.

The American authorities point out that, at the time of the conclusion of the Treaty of 1868, the children of a naturalized person were considered by them [the American authorities] <sup>10a</sup> as being themselves naturalized. Would it not be necessary to declare, under such conditions, that the general provision of the first article of the Convention—having the force of law—covers also the case of the children of a naturalized person, acquiring American nationality subsequently to the naturalization of their parent and only as a consequence of their establishment in the United States?

The Belgian authorities can not agree to such an interpretation.

It should be noted in the first place that the main purpose of the Convention was, not to settle conflicts of laws in the matter of nationality, but rather to moderate, in so far as they were too strict, the legal provisions relating to military obligations. It was considered in particular that it was proper to prevent anyone who has expatriated himself before complying with the obligations of military service from being considered as refractory and prosecuted on that charge in his native country, in spite of his naturalization and a prolonged residence in the other country. That was the essential purpose of the Convention. It is specified in Article 3 thereof. Article 1 providing that a Belgian who may or shall have been naturalized in the United States will be considered by Belgium as a citizen of the United States and reciprocally, this article, we say, only confirms a principle of domestic law, justifying the mutual concession made in Article 3.

<sup>10a</sup> Brackets appear in the file translation.

The scope of Article 1 is thus remarkably diminished. It is confined in any case to the naturalized person himself, and in no way contemplates the nationality of his descendants.

The mere reading of the preamble and of the contents of the Convention would suffice moreover to convince us that this is indeed the case:

“His Majesty the King of the Belgians and the President of the United States of America, led by the wish to regulate the citizenship of those persons who emigrate from Belgium to the United States of America and from the United States to Belgium, have resolved to conclude . . .”

The body of the Convention deals with the question of the citizens of one of the two countries who may or shall have been naturalized in the other; of the prosecution of the citizens of one of the two countries who may have committed crimes or offenses in their native country; of the military obligations of the naturalized persons and of the recovery of the nationality of origin by the naturalized persons. How can the minor children of naturalized persons be included in this group?

In support of the theory that they maintain, the American authorities submit this argument, namely that, when the agreement was negotiated “the United States considered that the first article would be applicable to any Belgian child having acquired the status of citizen of the United States as a consequence of the naturalization of his parent.”

This statement may be answered by the following statement, namely, that at the time when the agreement was concluded, the Belgian authorities could not contemplate the application of the first article to descendants of a naturalized person. Under the system of the Civil Code, which remained in force until the law of June 8, 1909, the naturalization of a Belgian abroad, as well as that of a foreigner in Belgium, had only personal effects. The children already born did not acquire the new status of their parent. How can it be maintained then, in the absence of any definition, that such children would have been included in the naturalization conferred upon their parent, when no legal provision in domestic legislation affirmed that principle? It is evident that if such a consequence had been contemplated, mention of it would have been made in the Convention or at least in a special provision of the law approving the Convention, a provision which would have created a new method of loss of Belgian nationality.

The Belgian Government finds itself compelled to maintain that the Convention of November 16, 1868, did not nullify the principles of Belgian domestic law, to which in particular it refers in Article 4. Its

terms are sufficiently elastic to adapt themselves to successive amendments in the said legislation. The latter must, however, remain the basis from which we can not deviate in determining the causes of loss of Belgian nationality. The Convention can have no influence except upon the methods to which such loss is subject. We shall admit, in this connection, that Article 16 of the law of August 4, 1926, making the loss of nationality subject to Royal authorization, in case the individual who has himself naturalized abroad is still subject in Belgium to the obligations of the active army or the reserve, can not be applied to Belgians who obtain American naturalization.

In spite of the researches made it has not been possible to discover in the archives which the Belgian Departments concerned still possess at the present time concerning the retroactive effects of the Convention of 1863 [1868?] a single note which can invalidate the thesis maintained by the Belgian authorities.

I should be grateful to Your Excellency if you would be good enough to have this question studied by the services concerned, and advise me whether they support the viewpoint of the King's Government.

I avail myself [etc.]

ROBERT VAN DER STRATEN-PONTHOZ

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711.554/11

*The Secretary of State to the Belgian Ambassador (Van der Straten-Ponthoz)*

WASHINGTON, September 14, 1936.

EXCELLENCY: I have the honor to acknowledge the receipt of your note No. 2919 of July 29, 1936, in reply to my note of April 17, 1936, which in turn was a reply to your note No. 1005 of March 23, 1936, concerning the question whether Article I of the Naturalization Convention of November 16, 1868, between the United States and Belgium is applicable to minor children acquiring citizenship through the naturalization of their parents in accord with the laws of either of the contracting parties.

You state that it is the view of your Government that the scope of Article I is confined in any case to the naturalized person himself, and in no way contemplates the nationality of his descendants.

In support of that view you assert in the first place that the main purpose of the Convention was not to settle conflicts of laws in the matter of nationality, but rather to moderate, insofar as they were too strict, the legal provisions relating to military obligations. That purpose you state is specified in Article III of the Convention.

It may be readily conceded that one of the principal purposes of the Convention was to prevent the punishment for evasion of military service of persons who, in good faith, had become naturalized in the other state, and had resided there for a number of years. However, this Government cannot agree that the principal obligation of the Convention is to be found in Article III. On the contrary, it is the view of this Government that the essential obligation of the Convention is the unlimited and reciprocal undertaking stated in Article I to recognize as citizens of the other contracting power those who shall have been naturalized there. Article III limits the broad obligation assumed in Article I by reserving the right to either contracting party to hold to the obligation of military service, despite naturalization in the other country and residence in its territory for five years, persons guilty of "desertion from organized and embodied military or naval service, or those that may be assimilated thereto by the laws of the country concerned".

My Government cannot agree to the view stated by Your Excellency that Article I "only confirms a principle of domestic law, justifying the mutual concession made in Article III," since from that you appear to infer that Article I is not applicable to cases of the naturalization of minor children through their parents. It is believed that the unqualified language of Article I indicates clearly that it was intended to cover all cases of naturalization, whether direct or derivative, and neither the language nor purpose of Article III with reference to military service renders it inapplicable to minors naturalized through their parents' naturalization.

You next quote the preamble of the Convention and state that the mere reading of its contents would suffice to show that Article I is confined to "the naturalized person himself". It is difficult to see how the preamble can be considered to have any special significance with reference to this matter. It merely states that in resolving to conclude a Convention, the contracting parties were "led by the wish to regulate the citizenship of those persons who emigrate from the United States of America to Belgium, and from Belgium to the United States of America". Minor children do not acquire American citizenship through the naturalization of their parents in the United States unless, or until, they emigrate to the United States. Therefore, the language of the preamble is descriptive of the situation of such minor children, as well as of that of their parents.

You cite as an additional reason in support of the view of your Government the fact that at the time the Convention was concluded, under the law in force in Belgian, upon the naturalization of a Belgian abroad, or of a foreigner in Belgium, children previously born did

not acquire the new status of their parents. You say that your Government maintains that the Convention did not nullify the principles of Belgian domestic law, and that it is only to that law that reference can be made in determining the causes of the loss of Belgian nationality.

Difficult problems may arise where a treaty appears to conflict with the domestic legislation of one or both of the states which are parties to it, although in such case it would seem that, from the standpoint of international law, the treaty should prevail. However, in the case under discussion no such conflict appears to exist. At the time when the treaty was concluded the law of the United States, as found in an act of Congress of April 14, 1802 (2 Stat. 155), which has been embodied in Section 2172 of the Revised Statutes of the United States, provided for the naturalization of minor children residing in the United States through the naturalization of their parents. By Section 5 of the Act of March 2, 1907 (34 Stat. 1228), it was provided that derivative naturalization would also result in the case of a minor child arriving in the United States for permanent residence after the parents' naturalization. Whether or not the law of Belgium in effect when the naturalization treaty was concluded contained a provision similar to that last mentioned, there was nothing to prevent its adoption. It does appear that Section 18 (4) of the Belgian Nationality Law of 1922 provides for the derivative naturalization of minor children residing in Belgium at the time of their parents' naturalization. In principle there seems to be no difference between the naturalization of a minor through the fact of his residing in the naturalizing state at the time of his parents' naturalization and the naturalization of a minor through the fact of his acquiring a residence in the naturalizing state, while still a minor, after the parents' naturalization. In both cases the unity of the family is the underlying principle, although in both cases acquisition of nationality is conditioned upon the fact of residence in the naturalizing state.

With reference to this subject it may be observed that the judicial as well as the executive branch of the Government of the United States has held that the provision of Section 2 of the Act of Congress of March 2, 1907 that "any American citizen shall be deemed to have expatriated himself when he has been naturalized in any foreign state in conformity with its laws" applies to an American citizen who is naturalized in a foreign state, during minority, through the naturalization of a parent, as well as one who is naturalized in a foreign state, after attainment of majority, upon his own application.

Looking to the terms of the Convention itself, this Government is of the opinion that the language of Article I is clear and unequivocal

and that it includes citizenship acquired by any commonly accepted form of naturalization which has been or may be established by the laws of the contracting parties. As acquisition of citizenship by minor children through the naturalization of their parents was a commonly accepted form of naturalization at the time of the conclusion of the Convention, it seems clear that if it had been the intent of the negotiators to exclude that form of naturalization, such intent would have been specifically set forth in the text of the Convention.

A further indication that Article I of the Convention of November 16, 1868, was intended to include minor children acquiring citizenship through the naturalization of their parents is found in the fact that the other naturalization treaties concluded between the United States and various European powers contemporaneously with it, have always been construed by the United States to apply to cases involving such persons. It is believed that the correctness of this view has been generally admitted by the other signatories. Naturalization treaties containing provisions essentially similar to those contained in the Convention of November 16, 1868, were negotiated with the following states: North German Union, February 22, 1868;<sup>11</sup> Bavaria, May 26, 1868;<sup>12</sup> Grand Duchy of Baden, July 19, 1868;<sup>13</sup> the Kingdom of Württemberg, July 27, 1868;<sup>14</sup> Grand Duchy of Hesse, August 1, 1868;<sup>15</sup> Norway and Sweden, May 26, 1869;<sup>16</sup> Great Britain, May 13, 1870;<sup>17</sup> Austro-Hungarian Empire, September 20, 1870;<sup>18</sup> Denmark, July 20, 1872.<sup>19</sup>

As a matter of fact, one of the most troublesome classes of military service cases causing difficulties with these various states which these treaties were intended to remove, was that composed of the sons of naturalized American citizens, who had acquired citizenship through the naturalization of the parents, but who upon return to the parents' country of origin for temporary visits had nevertheless been claimed by such country as citizens, liable for military service. That fact was common knowledge at the time the treaties were being negotiated.

For the reasons adduced above, supplemented by those set forth in my note of April 17, 1936, it is the considered opinion of the Government of the United States that acquisition of citizenship by a minor through the naturalization of his parents is a commonly accepted form

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<sup>11</sup> Malloy, *Treaties*, 1776-1909, vol. II, p. 1298.

<sup>12</sup> *Ibid.*, vol. I, p. 62.

<sup>13</sup> 16 Stat. 731.

<sup>14</sup> 16 Stat. 735.

<sup>15</sup> 16 Stat. 743.

<sup>16</sup> Malloy, *Treaties*, 1776-1909, vol. II, p. 1758.

<sup>17</sup> 16 Stat. 775.

<sup>18</sup> Malloy, *Treaties*, 1776-1909, vol. I, p. 45.

<sup>19</sup> *Ibid.*, p. 384.



of naturalization, and comes within the terms of Article I of the Convention of November 16, 1868 between Belgium and the United States. In view of the above explanation, it is hoped that the Belgian Government will be able to agree to the construction placed upon the treaty by this Government.

Accept [etc.]

CORDELL HULL

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**ARRANGEMENT BETWEEN THE UNITED STATES AND BELGIUM FOR  
RELIEF FROM DOUBLE INCOME TAX ON SHIPPING PROFITS,  
EFFECTED BY EXCHANGE OF NOTES SIGNED JANUARY 28, 1936**

[For texts of notes exchanged January 28, 1936, see Department of State Executive Agreement Series No. 87, or 49 Stat. 3871.]

## CZECHOSLOVAKIA

### REPRESENTATIONS REGARDING ALLEGED DISCRIMINATION AGAINST AMERICAN TRADE IN CZECHOSLOVAKIA<sup>1</sup>

611.60F31/124

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

No. 374

PRAGUE, January 24, 1936.

[Received February 6.]

Sir: I have the honor to report that Dr. Veverka, Czech Minister to the United States now on leave in Prague, called upon me on the 16th instant upon his own initiative and volunteered the information that he wished to inform me of the developments to date with regard to the negotiations which had taken place in Washington concerning trade relations between Czechoslovakia and the United States.

With the request that our conversation be considered confidential until he should have had the opportunity to discuss the situation in detail with Messrs. Friedmann and Stangler (Chief and Assistant Chief of the Economic Section of the Foreign Office) on the 17th—after which he would again call upon me in order to discuss the matter in greater detail in the light of such developments as might take place—he handed me for perusal a copy of the *Aide-Mémoire* dated November 27th<sup>2</sup> (or 24th I am not sure which) which had been given him in Washington by Mr. Grady<sup>3</sup> with regard to the matter. I was, of course, only able to read it hurriedly but it appears that the present attitude of the Department—as set forth in conversations with him and as substantiated by the *Aide-Mémoire*—is that Czechoslovakia cannot now offer such trade inducements to the United States as would justify the conclusion of a trade agreement at this time. Furthermore, that the preferential facilities specifically mentioned in the present *Modus Vivendi*<sup>4</sup> relating to Czechoslovakia's freedom of trade with her Danubian neighbors are not sufficiently specific, and the discrimination in favor of certain interests—now tacitly known to and admitted by both parties to the Agree-

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<sup>1</sup> For previous correspondence respecting trade relations between the United States and Czechoslovakia, see *Foreign Relations*, 1935, vol. II, pp. 137 ff.

<sup>2</sup> *Ibid.*, p. 160.

<sup>3</sup> Henry Grady, Chief, Division of Trade Agreements.

<sup>4</sup> Notes exchanged March 29, 1935, *Foreign Relations*, 1935, vol. II, p. 145.

ment—is not specifically prohibited by the Agreement and is therefore contrary to the spirit of the understanding.

As I had no previous knowledge of the existence of this *Aide-Mémoire*, I was not able immediately to discuss it with the freedom with which I might otherwise have done. It is clear, however, that the Department is in accord with the observations which have been made for many months by this Legation and by the Commercial Attaché<sup>5</sup> to the effect that the preferential treatment enjoyed by Czechoslovakia in dealing with its immediate neighbors in such commodities as lard, prunes, et cetera places our trade in such commodities at a distinct disadvantage and, further, that the matter of discrimination in favor of French automobiles in [is] now squarely in the open.

With regard to the first point, Dr. Veverka observed that he was aware that the commerce in American lard was seriously affected: I replied that I had long been aware of this fact and that it had been a matter of irritation for the parties particularly concerned—notwithstanding the fact that the provisions and interpretation of the present *Modus Vivendi* permitted continuation of the present practice with the neighbors of this country. He apparently considered lard more important than prunes and other products, and I did not argue this point with him. Referring, in passing, to the provision of the *Modus Vivendi* concerning Cuba, I asked him whether Czechoslovakia was thereby prevented from enjoying a large market in Cuba: he replied that such was undoubtedly the case as Cuba (to which he was also accredited) would, under other conditions, be an excellent market for Czech textiles, linen, glass and porcelain. He added, however, that in view of the situation, his Government can only acquiesce as far as possible in the position upon which the United States insisted in its relations with Cuba.

The subject of the discrimination in favor of French automobiles having arisen, I then referred to it without any reservation whatsoever, to which Dr. Veverka replied that everyone knew of its existence, that it was an extremely stupid and short-sighted policy of his Government—because the material gain to Czechoslovakia was very insignificant, both in material value and especially the sacrifice of trade ethics which had thereby been created—and that the practice should be at once discontinued. He amplified his statement by observing that he had spoken to Ringhoffer and many other persons in the automobile industry here and that they were all of the opinion that the present practice had subjected Czechoslovakia to a just criticism of its business morality in such matters.

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<sup>5</sup> Sam E. Woods.

I then said that I could not but agree in his point of view and that the matter had been continually brought to my attention in varying manner and from various sources, ever since I had been in Czechoslovakia. I added that of course it was unnecessary for me to assure him that there was no desire on the part of American interests to interfere with the Czechoslovak automobile industry, as such—especially as I was well aware that it played so large a part in the program of national defense in view of the necessity of being able to assure immediate motor transport for the armed forces of the country in case of necessity. Dr. Veverka said that such was, of course, the case. I said that I was continually receiving comments from automobile owners and drivers, as well as dealers, complaining bitterly of the protective duties which rendered American automobiles prohibitively expensive and made possible the exorbitant prices of cars of Czech manufacture—but that this phase of the matter was one of tariff only and entirely distinct from the discrimination in favor of automobiles from a certain country.

Dr. Veverka, with some amusement, then produced (but did not suggest that I read) a copy of a letter which he said had been given him by Secretary of State Hull from the Automobile Manufacturers Association and which contained as appendices detailed allegations and proofs of the discrimination in favor of automobiles of French origin. I observed that this caused me no surprise whatever and, furthermore, that I was reasonably sure that the files of this Legation and of the Commercial Attaché would disclose many similar documents—perhaps identical ones—in support of the allegation of discrimination.

I then inquired as to the importance to Czechoslovakia of some arrangement whereby metals might be imported in such a way as to obviate the necessity of their transshipment through German free ports and the information as to quantity, nature and price which the Germans thus demanded. Dr. Veverka said that this was, of course, one of the most important considerations contained in the Czech-German clearing agreement and that he believed that both countries would welcome a more direct arrangement, but that the question of exchange was the most difficult one and that it could not be solved as long as certain important participants in that industry failed to cooperate.

I referred to the favorable trade balance which Czechoslovakia had enjoyed with the United States for the first nine months of the present year. He observed that, of course, such was the fact but that if present favorable treatment was not to be indefinitely enjoyed, the situation would radically change and I inferred that this was an argument which he was preparing to use to combat the opposition which he seems to have incurred in his Government.

I also told him that Mr. Novák, former Czech Consul General in New York and now a Section Chief in the Foreign Office, was to give a lecture in Prague on the 20th instant with regard to the means by which the United States had successfully combatted the economic crisis, and that Dr. Novák had asked me for certain figures of the import and export trade of the United States in general and with Czechoslovakia in particular—from which it became at once apparent that although the imports by Czechoslovakia from the United States appeared to be only \$2,000,000, the figures of the invisible commerce with the United States (i. e. through Hamburg and Bremen) brought the total up to approximately \$20,000,000.

This first conversation on this subject during Dr. Veverka's present visit to Czechoslovakia, closed with the understanding that he would inform me further and in detail when he should have concluded his conversations with the Economic Section of the Foreign Office. In this connection he said that he feared that much time would be lost if negotiations with our Government were carried on solely through the Czech Chargé d'Affaires in Washington, who, he said, while intelligent and capable was not aware of all the details of the matter; and he inquired as to the degree to which I would be willing to cooperate: I replied that I would be glad to collaborate in every way possible short of assuming undue responsibility or expense in the transmission of information to my Government—particularly in view of the fact that I knew it was the desire of the Administration to concentrate such negotiations in Washington and, as was apparent from his recent conversation with Mr. Grady, to conduct them through the channels of the Czech Legation in Washington rather than through this Mission. I said, however, that I had no objection to his informing his Foreign Office of our conversation and assuring them—if assurance be necessary—of my continued interest in the subject, as well as of my readiness to converse with him in detail at any time and to take such action as might be properly appropriate.

As the mail for Washington leaves to-morrow morning and as I have heard nothing further from Dr. Veverka in the matter, it seems expedient that this report concerning recent developments in the subject should go forward. In this connection two additional factors will be of interest to the Department:

In a statement made by Dr. Beneš as Foreign Minister on November 27, 1935, during the debate in the Budget committee of the Chamber of Deputies on the budget of the Ministry for Foreign Affairs, he said, in part, as follows:

“We have entered into negotiations for commercial treaties with a number of overseas States, and with others we will open negotiations at an early date. Our trade policy is based on the principle of

most-favored-nation treatment. This principle is still the best system for such a country as we are because, were it not so, we would otherwise be compelled to compete in an unequal struggle principally with stronger countries”.

This official pronouncement of the Government's policy is of considerable importance and we may very properly refer to it in case of necessity.

I have for sometime been aware of the fact that the British Government—as expressed through its Legation here—has been similarly annoyed at the persistent but intangible allegations of preferential treatment in favor of automobiles of French manufacture. . . .

This despatch has been shown to the Commercial Attaché of the Legation and a copy of it will be furnished for his files as soon as Dr. Veverka informs me of the result of his discussion with the appropriate officials of the Foreign Office.

Respectfully yours,

J. BUTLER WRIGHT

611.60F31/129

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

No. 113

WASHINGTON, April 7, 1936.

SIR: Reference is made to your despatches No. 367 of January 10, 1936, No. 382 of January 31, 1936, and No. 388 of February 8, 1936,<sup>6</sup> reporting prospective difficulties in the importation of American coal tar dyes and walnuts into Czechoslovakia, and to the various other reports relating to discrimination by Czechoslovakia against American merchandise, notably despatch No. 288 of October 4, 1935,<sup>7</sup> entitled “Report on Temporary Trade Agreement”.

I am of the opinion that the exchange of notes of March 29, 1935, has not by any means resulted in the elimination of all Czechoslovak discrimination against American products, nor has it promoted the most desirable trade relations between the United States and Czechoslovakia. I therefore propose, through your Legation, to bring this matter once more forcibly to the attention of the Czechoslovak Government. There is accordingly enclosed a note which you are requested to present at the earliest possible moment. You will observe that the method of presenting the facts in connection with each case of discrimination is left to your discretion, which procedure will presumably enable you to protect your sources of information, should you judge it expedient to do so.

<sup>6</sup> None printed.

<sup>7</sup> *Foreign Relations*, 1935, vol. II, p. 156.

In making your representations it will be well to keep in mind the two-fold aspect of this Government's dissatisfaction with the operation of the present agreement:

(a) In the first place the United States has not been accorded most-favored-nation treatment within the limits specified by the *modus vivendi*. During the period of the agreement there has been actual or threatened discrimination against the trade in products of United States origin in favor of the trade in products of other nations, exclusive of Austria, Hungary, Rumania and Yugoslavia. American products subject to discriminatory treatment include automobiles, apples, lard and raisins; discrimination is threatened in the case of walnuts, dyes, oranges and grapefruit. Such instances of preferential tariffs, duty refunding, preferential import permit allocations, seasonal or other embargoes applied so as to discriminate against the United States are all obviously in violation of the *modus vivendi*. Although you may not be able to adduce incontrovertible evidence proving each instance of discrimination, it is apparent that, in fact, American goods are not receiving that fair and equitable treatment which was to be expected as a result of the *modus vivendi* of March 29, 1935, and it is this aspect of the case I wish you to stress.

You are authorized to amplify this protest by including representations concerning exchange allocation, in the light of the undertakings expressed in the Czechoslovak Minister's unpublished note of March 29, 1935, a copy of which is enclosed.<sup>8</sup> Furthermore, you may mention the series of petty annoyances to which American trade is subject in such manner and detail as you may decide. It is suggested that you request an early reply to these representations.

(b) Secondly, not only am I convinced that Czechoslovakia has in fact violated the agreement, but I also feel that the terms of the agreement, by granting temporary reservations regarding Danubian preferences, are too broad and indefinite. In this respect reference may be made to the *aide-mémoire* given the Czechoslovak Minister in Washington on November 27, 1935, to which no reply has been received. A copy is enclosed of this memorandum,<sup>9</sup> which indicates that the terms of the existing agreement, particularly with respect to Danubian preferences, have not been found satisfactory in practice. You are, therefore, authorized to express the dissatisfaction of this Government with the manner in which the exceptions to the *modus vivendi* relating to preferences in favor of Austria, Hungary, Rumania and Yugoslavia have been applied, as well as with the indefinite character of those exceptions.

<sup>8</sup> *Foreign Relations*, 1935, vol. II, p. 147.

<sup>9</sup> *Ibid.*, p. 160.

Neither the *aide-mémoire* of November 27, 1935, nor the present note is intended to initiate negotiations for a possible trade agreement. The former was given in response to a request of the Czechoslovak Minister, and was intended to clarify and define the scope of Danubian preferential arrangements and to give notice to the Czechoslovak Government that the United States was not convinced that it was receiving equitable treatment under the *modus vivendi*. The present note is intended, if possible, to bring about the removal of discriminatory practices and to notify the Czechoslovak Government that the United States cannot indefinitely grant most-favored-nation treatment and the consequent benefit of reduced duties resulting from the trade agreements program to Czechoslovakia if it continues to countenance discriminatory practices in violation of the exchange of notes of March 29, 1935.

Should the Czechoslovak officials attempt to complicate the issue by raising the question of Danubian preferences, which it may have extended to the commodities involved, it is believed that you can show evidence of discrimination against the United States by the extension of more favorable treatment to countries other than Danubian in every case. Furthermore, you may reply that the United States is not disposed to discuss Danubian preferences further until such time as it receives a reply to the *aide-mémoire* of November 27, 1935, and on the basis outlined therein.

It is recognized that under the Czechoslovak system of control of foreign trade it will be most difficult to insure the complete elimination of discrimination. I prefer of course not to abrogate the *modus vivendi*, but I am of the opinion that unless Czechoslovakia is prepared to assure to American merchandise more equitable treatment than it now enjoys, it may become necessary to withdraw most-favored-nation treatment from Czechoslovak goods entering the United States, following abrogation of the *modus vivendi*.

It has been planned to allow you considerable freedom in the method you may employ in discussing the commodities concerned with the Czechoslovak authorities since your familiarity with the details of discriminations will enable you to present the attitude of this Government in the most forceful and effective manner. You will presumably wish to have the Commercial Attaché accompany you when the time comes to take up in detail the individual commodities which are being discriminated against.

I desire, of course, to be kept fully informed of developments, and will welcome any suggestions or comment which you may care to make.

Very truly yours,

CORDELL HULL



[Enclosure]

*The Department of State to the Czechoslovak Ministry for  
Foreign Affairs*

The American Government desires to bring to the attention of the Czechoslovak Government a matter to which it attaches considerable importance.

It will be recalled that by an exchange of notes between the Secretary of State and the Czechoslovak Minister in Washington on March 29, 1935, a temporary agreement was arranged which regulated the commercial relations between Czechoslovakia and the United States. The principle underlying the agreement is that of the most-favored-nation treatment with respect to customs duties, exchange permits and quotas.

The American Government has not departed from that principle and no discrimination against Czechoslovak goods has been operative either at the time of importation into the United States, or with respect to the sale or use of such imported goods. On the contrary, all reductions in the customs duties of the United States are automatically and immediately applied to merchandise imported from Czechoslovakia.

It must be observed, with regret, that the converse has not been true. American goods imported into Czechoslovakia have not uniformly enjoyed treatment as favorable as that accorded to similar commodities from other countries. The repeated protests of the representatives of the United States in Prague to the appropriate officials of the Czechoslovak Government bear witness to the many instances of discrimination against goods of American origin. These protests have failed to correct this unfortunate state of affairs, with the result that while all Czechoslovak merchandise enjoys unconditional most-favored-nation treatment when imported into the United States, not all American products imported into Czechoslovakia are accorded such treatment.

The Czechoslovak Government will appreciate the fact that this inequality of treatment cannot fail to be regarded with concern by the Government of the United States. It is a matter of common knowledge that the American Government's policy is to foster and to stimulate the commerce between the United States and other nations, but the basic condition upon which it insists is that most-favored-nation treatment be accorded, reciprocally, to its commerce.

The American Government regrets to state that it is convinced that it is not receiving most-favored-nation treatment in a number of important cases, the details of which will be communicated by the American Minister in Prague for the consideration of the Czechoslovak Government. The Government of the United States confidently hopes that the Czechoslovak Government will take prompt and effective

action to remove the disabilities under which American trade with Czechoslovakia is laboring at the present time, in order that the Government of the United States will not be compelled to envisage the possibility of denouncing the temporary agreement of March 29, 1935, and of taking such other action as may be provided by its laws.

WASHINGTON, April 7, 1936.

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611.60F31/132

*Memorandum by the Assistant Chief of the Division of Trade Agreements (Hawkins)*

[WASHINGTON,] April 30, 1936.

Conversation: The Minister of Czechoslovakia;  
Mr. Otakar Kabeláč;<sup>10</sup>  
Mr. Hawkins.

The Minister referred to the discussion regarding the Czechoslovakian discriminations and Danubian preferences. He stated that he desired to discuss the matter from two points of view, namely, (a) the Czechoslovakian discriminations in favor of countries other than those in the Danubian area, and (b) the Danubian preferences.

With reference to (a), he stated that the Czechoslovakia Government is ready to abolish completely the discrimination against American automobiles and any other discriminations in favor of non-Danubian countries. In this connection he asked for a copy of the memorandum which was sent to our Minister at Prague recently, and which he understands contains a complete statement regarding non-Danubian discriminations.

With reference to (b), the Minister suggested that in discussing the Danubian preferences he would give us soon a complete written statement of all preferences given by Czechoslovakia to Danubian countries, asking that this list be held confidential. The list of preferences now granted would be used as a basis for discussion with us of the limitations to be imposed on Czechoslovakia regarding the granting of such preferences.

The Minister stated that it was the desire of his Government that the negotiations be conducted here.

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<sup>10</sup> First Secretary, Czechoslovak Legation in Washington.

611.60F31/136

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

No. 437

PRAGUE, May 6, 1936.

[Received May 19.]

SIR: Although I am as yet unable to report definitive results from the representations which I have made pursuant to your instruction No. 113 of April 7, 1936, concerning discrimination by Czechoslovakia against American merchandise, I have the honor to report as follows in order that the Department may be informed as to the steps which I have taken and the developments which have occurred to date.

The instruction under acknowledgment was received on April 22nd. On Monday April 27th—the first day upon which the Minister for Foreign Affairs could arrange to see me—I handed him under cover of my note No. 97 of April 24—a copy of which is herewith enclosed<sup>11</sup>—your note which was transmitted to me with the aforementioned instruction.

The tenor and result of my conversation with the Minister is set forth in the enclosed self-explanatory memorandum thereof, dated April 27th.<sup>11</sup> On April 29th, I had a long conversation with Messrs. Friedmann and Stangler, Chief and Assistant Chief respectively of the Economic Section of the Foreign Office, pursuant to arrangements which had been made by the Minister on the day following my conversation with him. Preparatory to such conversation and in order to provide for my own assistance—as well as for transmission to the competent officers, if such should prove advisable—a statement of the practices and specific instances of which we complained in the form of an *Aide-Mémoire* was compiled with the assistance of the Commercial Attaché, a copy of which is also enclosed,<sup>11</sup> and which, I trust, embodies all the instances and practices enumerated in, or envisaged by, your instruction. In this connection I welcome the opportunity of expressing my appreciation of the valuable assistance rendered by the Commercial Attaché's Office—especially in the preparation of confidential data in support of each item of the *Aide-Mémoire*, which will be of great value in succeeding conversations and copies of which will be transmitted to the Department in due course.

I began the conversation by an expression of my assumption that Messrs. Friedmann and Stangler were in possession of the note of the Secretary of State, dated April 7, 1936, transmitted to the Minister

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<sup>11</sup> Not printed.

for Foreign Affairs on the 27th instant as an accompaniment to my note of the 24th, and that they had re-read the notes exchanged in Washington on March 29, 1935, between the Czech Minister to the United States and the Secretary of State, together with the *Aide-Mémoire* of November 27, 1935, handed to the Czech Minister by the Department of State at his request. They said that such was the case.

Dr. Friedmann then suggested that, pursuant to the suggestion contained in the note of the Secretary of State, I inform them of the specific instances with which my Government was not satisfied, in order that all phases of each case might be discussed between us. I replied that I had already prepared an *Aide-Mémoire* preparatory to such procedure, the points in which I would proceed to discuss. Before doing so, however, I improved the opportunity to endeavor to explain again to these officials the principles underlying the policy of our Government in this matter: namely, that we desired—in fact, that it practically amounted to a demand—that in such instances as our trade with a respective country was governed by any such instrument as the present *Modus Vivendi* between our two countries, American products be accorded equality of treatment; and that I had hopes that the amicable spirit of our conversations would permit me in due course to discuss such practices as those enumerated in the last page of the *Aide-Mémoire*, to which I then called the attention of Dr. Stangler, who speaks English, requesting him to translate them into Czech for the benefit of Dr. Friedmann (with whom my conversation was in German). I added that the two principal phases of the matter with which my Government was not at present satisfied, were set forth in the *Aide-Mémoire* of November 27, 1935—the reasons supporting such opinion to be discussed in detail in our forthcoming conversations.

I then commenced detailed discussion of the instances in the order in which they are set forth in the *Aide-Mémoire*—beginning with automobiles. This consideration of the three phases of this situation set forth on Page 1 of the *Aide-Mémoire* led to such detailed discussion that the time at the disposal of these officials was exhausted, and I was requested to return at a later date to be set by them—not before May 11th—for a continuation of the discussions, the Foreign Office meanwhile undertaking to obtain from all available sources information with which detailed reply will be made to each point in my *Aide-Mémoire*. In this connection request was made as to whether I was in a position to furnish data in writing in order to assist the Foreign Office in the preparation of their reply. The opportunity being thus presented—as I had hoped—for a demonstration of complete frankness in the discussions, I stated that I had prepared my *Aide-Mémoire* with such eventuality in mind and then handed them two copies thereof.

It therefore only remains for me to report in this despatch that Messrs. Friedmann and Stangler observed with regard to Item 1 (a) "Private" duty refunds for automobiles other than of American manufacture, that the Commercial Attaché had undoubtedly apprised me of the information which he had given him; to the effect that this practice had been discontinued as of date of March 31st last, and that a new basis of allowances for the importation of French automobiles had been fixed. I replied that Mr. Woods had, of course, done so and that I had so reported to my Government (see despatch No. 433 of April 20, 1936<sup>12</sup>). Dr. Stangler then stated that the Czech Legation in Washington had been directed to convey the same information to the Department of State and inquired whether this information had not probably crossed the instruction upon which I was now working. I replied that it had and that of course my Government would be interested in the information thus communicated: I added, however, that under my instructions I hoped in due course to receive confirmation of this fact—probably in the form of a reciprocal *Aide-Mémoire* in which reply would be made to each of the matters to which I had referred.

It is interesting to observe at this point that, notwithstanding repeated denials by officials of this Government in the past that discrimination of this nature in favor of French cars existed, the information and assurances now received from Dr. Stangler are tantamount to an admission that such practices did obtain.

Intimations are not lacking that directions have been received from superior officials that this entire matter of commerce with the United States under the existing *Modus Vivendi* be discussed immediately and in detail, and I shall, of course, report developments as they occur—although it is not improbable that a certain amount of delay may ensue with regard to some items.

Respectfully yours,

J. BUTLER WRIGHT

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611.60F31/135 : Telegram

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

PRAGUE, May 19, 1936—4 p.m.

[Received 5:10 p.m.]

11. My No. 9, May 12, 9 a.m.<sup>12</sup> As a result of conversations on 14th and 18th instant written reply to my *aide-mémoire*, copy<sup>12</sup> of which was transmitted in my 437 of May 6, states as follows:

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<sup>12</sup> Not printed.

*Automobiles.*

(a) Local manufacturers have been instructed to cancel "alleged arrangement" and the manufacturers have reported that they have done so. New cartel arrangement has been substituted as reported in my despatch 433 of April 20,<sup>13</sup> but which I am now informed provides for mutual monetary compensation, the details of which I am requesting.

(b) Quarterly quotas of cars granted to other countries will be communicated to us upon request and our monthly quotas will henceforth be cumulative.

(c) While not aware of exchange discriminations instructions have been given appropriate authorities to discontinue such practices if they exist.

*Apples.* Discussion continues regarding paragraphs A and B, 1 to 3; 6 and 8. Regarding 4 and 5, early alteration of present regulations under consideration "with a view to introducing uniform percentage rate calculated on the value regardless of any period taken into consideration" for both European and overseas fruit. Seven, quota American acquiescence will be granted without compensation based on representative period, provided lack of foreign exchange does not create extraordinary circumstances.

*Raisins.* Will grant quota without compensation equal to share of total imports in previous representative period.

*Dyes.* Judge that requests for exchange be answered as early as possible and attention of competent authorities has been directed to our complaint. Discussion of other phases continues.

*Prunes.* Will grant quota of 20 per cent of total imports and waive compensation unless circumstances arise as in 7 above.

*Casings.* Imports of American product are contingent upon imports of equal amounts from specified countries.

*Lard.* Should exigency possibilities change this Government is willing to negotiate for quota.

*Cosmetics.* Will grant quota without compensation as in 7 above.

Regarding intimidation, specific instances are requested informing me concerning which I shall withhold for the present as assurances are given that competent authorities have been directed to cease such practices should they exist. Terms of Czech-Austrian commercial treaty will shortly be communicated to you by Czech Legation in Washington from which this Government believes it will be seen that American interests have been considered.

This Government is apparently not prepared to grant us most-favored-nation treatment with regard to any of these commodities but, with the exception of automobiles, merely quotas based on our imports of these products over representative periods. I should, therefore, welcome your views as to the applicability of the unconditional

<sup>13</sup> Not printed.

most-favored-nation principle to cartel agreements and whether I shall insist that quotas for these products be equal to those granted the most-favored-nation.

Copies of foregoing documents forwarded by mail.

[File copy not signed.]

611.60F31/138

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

No. 441

PRAGUE, May 19, 1936.

[Received June 2.]

SIR: In continuation of my despatch No. 437 of May 6, 1936, and subsequent telegraphic correspondence, especially my telegram No. 11, May 19, 4 p. m., I have the honor to report as follows regarding the further developments which have taken place here in connection with the discussion of the *Modus Vivendi* at present governing Czechoslovak-United States trade relations.

The enclosures to this despatch are as follows:<sup>14</sup>

1. A copy of the written reply from the Foreign Office to the *Aide-Mémoire* a copy of which was enclosed in my despatch No. 437.

2. A copy of a supplemental *Aide-Mémoire* regarding apparent discriminatory treatment in respect to paints, varnishes, polishes and certain other chemicals falling under Tariff Item 624—evidence of which was brought to my attention subsequent to the preparation of the first *Aide-Mémoire*.

3. A self-explanatory memorandum of my conversation with the Chief and Assistant Chief of the Economic Section of the Foreign Office on May 14th.

4. A supplementary *Aide-Mémoire* dated May 18th and handed to these officials on that date in partial reply to the aforementioned written reply of the Foreign Office to my first *Aide-Mémoire*.

5. A self-explanatory memorandum of my conversation with these officials on the same date (May 18, 1936).

These documents should be read in the order mentioned and while I regret that they may be considered somewhat lengthy, they will be found to give such a clear idea of the nature of the negotiations as well as the apparent inability—I shall not yet say unwillingness—of these officials to submit at once a comprehensive explanation of certain of the more glaring irregularities, that I believe that they will be found worthy of perusal.

It will be found in the memoranda of the conversations which took place that reference is repeatedly made to previous discussions of the manner in which quotas are established in this country and the consistency of the quota accorded to American automobiles: this phase

<sup>14</sup> Enclosures not printed.

of the subject occupied the greater portion of my first conversation with these officials on April 29th, which it is not necessary to report in detail as it was repeatedly discussed in the later conversations, and it was at this time that the discrepancy arose between the quota accorded us and that stipulated in the Czechoslovak-French Treaty which provides for an importation of 1000 French cars per annum.

Suffice it to say in this connection that Dr. Friedmann, the Chief of the Section, observed that the Treaty in question had been negotiated at a time when optimism was running fairly high, when the world economic crisis had not yet caused prices and products to fall and when every nation was confidently hoping for large trade. "Therefore", he said, "We did the best we could, but without a very sound basis". I informed him in reply that I intended to discuss this phase of the matter later and it is this conversation to which reference is made in the enclosed memoranda of ensuing conversations.

After a preliminary discussion of the quota system as practiced in various countries—which was really nothing more than preparatory to the detailed discussions herein reported—the question of exchange difficulties arose. Dr. Friedmann observed with some degree of intensity that in his opinion the American officials in Prague had previously been far from well informed upon such questions, (he was good enough to state that that did not apply to the present incumbents of the Legation, Consulate General and Commercial Attaché's Office) and added that this lack of information had been seriously enhanced by the attitude of the importers, who were continually complaining about restrictions which they did not understand and who were moreover malicious in intent. At this point I improved the opportunity of stating that I was trying to demonstrate that the competent American officials in Prague were well informed upon these points, and also that the importers in question were in no case American citizens but in all (or practically all) cases were Czech citizens. I then added that he was quite correct in stating that they were continually registering complaints—which was one of the reasons why I was now making every effort to be fully informed upon every point in question, in order that I might not only so inform my Government but that the Legation and the other officers of the United States Government in Prague might be in a position to deal with such complaints of local importers.

Dr. Stangler then observed that he must refute any charge that the Exchange Commission is anything but entirely neutral and completely honest, and he elaborated at some length upon the arrangements which are made in order to assure that no car is admitted into the country unless the payment of duty has been made or is assured. I replied that I trusted that the observation made under item 1 (c) would not be



construed as any accusation whatever on the part of this Legation as regards the practices or ethics of the Exchange Commission: in fact it had been very carefully worded so as to place the responsibility for such allegations upon "persons considered competent in the automotive trade", which were by no means confined to exporters of American nationality but, as I had said before, included importers of non-American nationality. Dr. Stangler then said that the Commission was always subject to such attacks—having been accused of making special arrangements and agreements with American manufacturers and importers. I replied that I regretted this as much as he and hoped that this would prove an additional reason for complete clarification of all points for the benefit of all concerned.

There are also included as accompaniments to this despatch copies of two memoranda prepared by the Office of the Commercial Attaché, dated April 29th and May 18th:<sup>15</sup> the first prepared by Mr. Theodore Hadraba, Clerk to the Commercial Attaché, which, during the absence of Mr. Woods on leave of absence which had been granted him, was utilized in the preparation of the first *Aide-Mémoire* delivered to this Government: the second prepared by Commercial Attaché Woods upon his return which has been, and will continue to be, utilized by both of us in support of our contentions during the conversations—both of which have proven of great value and for which the officials concerned deserve full credit.

It is our opinion that in the determination of any quotas which may hereafter be agreed upon, it is absolutely necessary to take into consideration the factor of indirect shipments (see pages 6, 8, 14, 16, 19, 21, 24 and 26 of the memorandum of the Commercial Attaché dated May 18th).

I would also appreciate an expression of your views not only with regard to the applicability of the unconditional most-favored-nation principle to cartel agreements and whether I shall insist that quotas for these products be equal to those granted the most-favored-nation as requested in my telegram of to-day's date, but also regarding the respective periods which may be considered as representative and the practice of compensatory agreements.

Conversations are continuing with regard to the remaining points which have not yet been orally discussed on the basis of this Government's first reply as well as the various phases of the situation regarding which difficulties have arisen as set forth in the enclosed memoranda of conversations. These conversations are proceeding with the utmost friendliness, and Mr. Woods and I agree that we seem to detect in many instances an attitude of distaste and concern on the part of the Foreign Office officials that a situation has been

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<sup>15</sup> Neither printed.

allowed to develop as a result of the practices or policy followed by other departments of this Government.

Respectfully yours,

J. BUTLER WRIGHT

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611.60F31/137 : Telegram

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

PRAGUE, May 29, 1936—10 a.m.

[Received May 29—7:20 a.m.]

15. My 11, May 19, 4 p. m. Conversations concluded except concerning automotive chemicals and minor details. Results achieved in addition to those reported in my telegram are summarized below.

Franco-Czechoslovak treaty provision for annual import of 1,000 French automobiles has been abrogated and present French annual quota of 180 cars will not be increased. American and French quotas will be quarterly with cumulative privileges up to one year. Details of cartel arrangement will be communicated to Legation. Adequate quota for spare parts assured us.

Embargo on American apples in bulk and barrels will be raised, quotas to be allotted as reported in my telegram.

Quota will be allotted us for dyes under tariff item 625A.

Czechoslovakia is willing notwithstanding alleged detriment to her trade to annul discriminatory practices regarding casings (see my original *aide-mémoire*) and grant quota based on representative period.

Full details by mail today.

WRIGHT

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611.60F31/140

*Memorandum by the Assistant Chief of the Division of Trade Agreements (Hawkins)*

[WASHINGTON,] June 4, 1936.

Conversation: Dr. Ferdinand Veverka, Minister of Czechoslovakia;  
Mr. Otakar Kabeláč, First Secretary of the Legation;  
Mr. Harry C. Hawkins;  
Mr. Paul Culbertson.<sup>16</sup>

The two main subjects discussed were (1) the removal of Czechoslovakian preferences to non-Danubian countries; in other words, carrying out the terms of the agreement; (2) Danubian preferences.

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<sup>16</sup> Assistant Chief, Division of Western European Affairs.

With reference to (1) the Minister was informed that the revision of the agreement in so far as it concerns preferences to non-Danubian countries probably will create no difficulty; the question being merely one of carrying out the terms of the agreement as it now stands. In any case, any revision of the agreement on this point would be only of a technical nature designed to cover instances of preferences to non-Danubian countries of special kinds not now covered by the terms of the agreement.

With reference to preferences to Danubian countries, the question discussed was whether and the extent to which such preferences could be recognized by the United States. Since the present agreement permits unlimited preferences to Danubian countries, and since this is not considered to be a satisfactory permanent arrangement, the agreement must be revised on this point. In order to facilitate discussions, the Minister said he would submit a list of such preferences as the Czechoslovakian government desired to reserve, indicating specifically in each case the extent of the desired preference. He indicated that if a list of permitted preferences is agreed upon, the Czechoslovakian government would like to add a clause to the effect that other preferences to Danubian countries might be granted provided this was done in agreement with this Government. If the foregoing procedure were followed, the third and fourth paragraphs of section 4 of the existing commercial agreement would be omitted and in place thereof there would be a provision whereby Czechoslovakia would reserve the right to grant certain specified preferences only, subject however to the provision that if it is desired to grant any new preferences, this would be done only with the agreement of the United States.

In connection with the list of products on which Danubian preferences might be permitted, the Minister indicated that Czechoslovakia would probably wish to grant such preferences on apples, prunes and lard. It was pointed out to him that these are, of course, products of real importance to the United States and that it would be difficult for us to agree to continue preferences on them. Nevertheless we informed the Minister that in order to have a basis for discussion we will be glad to receive and give careful study to any list he may submit.

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611.60F31/149

*Memorandum by the Assistant Chief of the Division of Trade Agreements (Deimel)*

[WASHINGTON,] July 2, 1936.

The Czechoslovak Minister, accompanied by Mr. Kabeláč, called today in pursuance of their conversation with Mr. Hawkins on June

15 and the proposed reply which the Minister had drafted to our note of last November regarding our commercial agreement with Czechoslovakia.<sup>17</sup>

In accordance with the views expressed and concurred in at the meeting of the Czechoslovak country committee on June 30, I told the Minister that we felt that in view of the complexity of the questions concerned in our commercial relations with Czechoslovakia it is essential to keep their different aspects clearly in mind and that we felt his draft note indicated some confusion in this respect. I said that, on the one hand, there were certain matters in regard to which we did not feel that the existing agreement was being carried out in accordance with our views of what it meant and that in this connection we had been making representations through our Legation in Prague and were considering the responses which had been reported to us by our Minister there; that, on the other hand, we had, as the Minister knew, indicated that we were not entirely satisfied with the present short term agreement and had, in our note of last November, set forth some of the considerations, with especial reference to the question of Danubian preference, which we would want to have covered in a more permanent commercial agreement. I pointed out that we were awaiting his Government's reply.

I added that while we could appreciate the possible difficulties alluded to in his draft note relative to the setting up at this time of a definite and adequate formula to cover the considerations regarding Danubian preference outlined in our note of last November, nevertheless we would necessarily be currently concerned with the existing treatment of our trade and pending the revision of the agreement might have to add to the representations already made regarding the carrying out of the terms of that agreement efforts to seek the adjustment of complaints regarding the treatment of our trade even though these might be covered by the Danubian preference exception under the existing agreement.

The Minister stated that he had been hoping, before leaving his post here, to effect an exchange of notes assuring against unfavorable developments in our commercial relations for some period of time ahead, but that he assumed from my remarks that the important question would be the actual treatment accorded our trade in Czechoslovakia and the responses made by the Czechoslovak Government to our complaints regarding that treatment. I said that while I could, of course, not make any assurances, we naturally were particularly interested in the actual application of fair and equitable treatment to our trade with Czechoslovakia since we must always be able to justify the extension to any country of the benefits proclaimed in connection

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<sup>17</sup> Draft note not printed.

with trade agreements with other countries, but that we must also not lose sight of the desirability of regularizing our commercial relations on the basis of agreements of long term in order to provide, as rapidly as practicable, assurances of satisfactory and stable treatment of the trade; while it might not be possible to reach an agreement upon complicated aspects of our commercial relations immediately efforts to develop the terms of a mutually satisfactory agreement through the treatment of individual cases as well as the development of suitable formulae, should continue.

The Minister indicated that he would make clear to his Government the significance of its treatment of our trade to the matter; he also said that as our note of last November remained unanswered; it seemed to him that an acknowledgment by his Government would be desirable and that he would like to bring in very shortly a draft acknowledgment which he might propose to his Government.

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611.60F31/153

*The Czechoslovak Minister (Veverka) to the Secretary of State*

WASHINGTON, July 11, 1936.

EXCELLENCY: In reply to the *aide-mémoire* of the United States Department of State of November 27, 1935, and referring to my recent discussions relative to the mutual commercial relations between the United States and Czechoslovakia, as well as to the representations addressed by the United States Minister in Praha to the Czechoslovak Foreign Ministry regarding the application of the provisions of the Provisional Agreement of March 29, 1935, I have the honor to inform Your Excellency as follows.

The problem of the mutual trade relations between the United States and Czechoslovakia has been most carefully examined in the light of all the issues that have been raised.

The Czechoslovak Government feels certain that the United States has not overlooked the difficulties which the Czechoslovak Government might experience in adopting the present existing system of regulating foreign trade by the quota contingent and by foreign exchange allocation. This system construed in an empiric way and based on unpublishable bilateral agreements cannot be reversed by unilateral acts within a short term but may be gradually adapted to the extent that a more comprehensive trade agreement may be established.

In the meantime I have been instructed by my Government to declare that it is most willing to meet all objections raised against the application of the Provisional Trade Agreement of March 29, 1935, and settle through diplomatic channels all cases brought to its attention.

The Czechoslovak Government is likewise most anxious in any case to guarantee to the products of the United States such treatment that they may not be excluded from the Czechoslovak market through the application of the Danubian clause of the Provisional Agreement. In this connection, any objections and observations which the United States may deem necessary to raise will be taken into prompt and most careful consideration by the Czechoslovak Government in order to meet any justified demand for a more satisfactory application.

In conclusion I wish to express the sincere hope that over a period of time and through an empirical and practical handling of all specific cases of differences arising in the application of the present Provisional Agreement, mutually satisfactory criterions will be found in order that a convincing basis may be established conducive to the conclusion of a more permanent trade agreement.

Accept [etc.]

DR. FERDINAND VEVERKA

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611.60F31/154

*Memorandum by the Acting Chief of the Division of Trade Agreements (Deimel)*

[WASHINGTON,] July 14, 1936.

There is attached a note <sup>18</sup> which the Czechoslovak Minister left at the Division yesterday in sequence to recent discussions which we have had with him.

The Minister said that he was submitting this with the authorization of his Government, as an acknowledgment to our note of last November, given to him at his request, in which our views were expressed regarding revision of the provisional commercial agreement of March 29, 1935. He agreed that this note called for no further acknowledgment on our part and that our note of last November remained under consideration. He added that when he returned home he would make very clear to the authorities in Prague that the actual treatment meted out to our trade would be of great importance in determining our action toward Czech trade.

The Minister's purpose in submitting this note and in the discussions which have preceded it appears to have been a hope of obtaining a definite commitment from us not to suspend the application to Czech goods of the reduced duties proclaimed in connection with trade agreements, for a specified period. He has received no such assurances but, on the contrary, has been told that our action must be guided by the actual results of the representations we have been

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<sup>18</sup> *Supra.*

making in Prague and the treatment accorded our trade by his Government and also that we favor the conclusion of agreements providing for the reduction of trade barriers and for the treatment of trade upon a basis of equality and fair and equitable treatment, so formulated and administered that the treatment called for is clearly understood and applied without the necessity for recurrent representations in individual cases.

Thus, in effect, the present discussions have terminated in such a way as to leave the way open for the conclusion of a new and more satisfactory agreement whenever the time is ripe and in the meantime have provided us with a basis for representations, not only against treatment which we consider in violation of the existing agreement, as in the case of the representations which have been made through our Legation at Prague, but also with regard to discriminations against our trade which may be covered by the Danubian preference clause of the present agreement but which we may feel are excessive.

HENRY L. DEIMEL, JR.

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611.60F91/161

*Memorandum by the Economic Adviser (Feis)*

[WASHINGTON,] October 8, 1936.

Following upon the conversation I had with the Czechoslovak Chargé d'Affaires, he came in this afternoon and presented the attached note<sup>19</sup> stating the intention of his Government to exert effort towards relaxing trade barriers and exchange controls.

I replied I was very glad to have this expression of intention and would call it to the Secretary's attention at the earliest possible time.

I took occasion to tell him that we were distinctly conscious of the discriminations and inequalities to which American trade was now subject in Czechoslovakia, this having been called to the attention of his Government often. I said that the whole question was under re-examination now, with a view towards deciding whether we could continue the extension of most-favored-nation treatment on our part under these conditions. Therefore since he was going to communicate with his Government, I suggested that he bring this situation to his Government's attention with the idea that if it was about to proceed with a plan of revising its trade restrictions, this might be a suitable and favorable opportunity for it to eliminate the discriminations to which American trade is now subject. He said he would certainly convey that suggestion.

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<sup>19</sup> *Infra.*

It is impossible to tell, when dealing with the Czechoslovak Chargé, whether he really understands what is under discussion or not. I did my best to safeguard the conversation by repeating over everything I said at least three times.

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611.60F31/161

*The Czechoslovak Chargé (Němeček) to the Secretary of State*

WASHINGTON, October 8, 1936.

**EXCELLENCY:** I have the honor to refer to my note of October 5,<sup>20</sup> as well as to the conversation which I had informally with Mr. Herbert Feis, the economic adviser, relative to the attitude of the United States Government towards the proposed devaluation of the Czechoslovak currency.

In accordance with instructions from my Government, I beg further to inform Your Excellency, that the Czechoslovak Government, fully subscribing to the principle of reducing obstacles to mutual trade relations and communications and of establishing a more solid foundation for stable economic relations, desires to exert every effort in contributing towards a relaxation of international trade barriers and exchange control. To this end my Government is conducting with all possible stress and speed the examination of a constructive plan, especially as far as concerns the system of exchange control, in supporting the interests designed to promote the progress and free flow of international trade.

Accept [etc.]

DR. JOSEF NĚMEČEK

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611.60F31/161

*The Secretary of State to the Czechoslovak Chargé (Němeček)*

WASHINGTON, November 2, 1936.

**SIR:** I acknowledge the receipt of your note, dated October 8, 1936, by which you informed this Government, acting on instructions from your Government, that the Czechoslovak Government desires to exert every effort in contributing towards the relaxation of international trade barriers and exchange control, and is examining a constructive plan designed to promote the free flow of international trade.

I have received your note with appreciation and I ask you to convey to your Government an expression of my gratification concerning

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<sup>20</sup> Not printed; it conveyed the information that the Czechoslovak Government was to submit to Parliament a bill to reduce the gold content of its money (860F-515/53).



this declaration. I am glad to take this opportunity to affirm again the importance which the Government of the United States attaches to the removal of restrictive trade barriers as a means of restoring the conditions for mutually advantageous international commercial relations and of promoting international peace.

I am the more gratified by the declaration of your Government because of the improved prospects I trust it may be taken to indicate for the speedy solution of the difficulties which have been encountered by American commerce in Czechoslovakia. The continuation of these impediments to American trade despite the representations which have been made to your Government by the Minister of the United States at Prague is viewed by this Government with deep concern. It will be a cause of substantial satisfaction if the developments to which your note refers are followed by early solution of these problems.

Accept [etc.]

For the Secretary of State:

FRANCIS B. SAYRE

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611.60F31/162

*Memorandum by the Assistant Secretary of State (Sayre)*

[WASHINGTON,] November 5, 1936.

Dr. Němeček, accompanied by Mr. Kabeláč, called today. Dr. Němeček explained that he had heard reports to the effect that this Government was preparing to denounce the *modus vivendi* of March 29, 1935, and to impose countervailing duties. He referred to the representations made by our Minister in Prague with respect to the trade difficulties experienced by importers of American goods in Czechoslovakia. Dr. Němeček explained that these difficulties were caused in part by Czechoslovakia's armament program and the resultant shortage of exchange, and in part by the trade barriers erected by other nations. He hoped that we would not find it necessary to alter the basis of our trade relations with Czechoslovakia until the problems occasioned by devaluation and by currency shortage could be solved.

Mr. Sayre replied that in all fairness he must not conceal from the Czechoslovak Chargé that in fact we were considering notifying the Czechoslovak Government that, unless it could see its way clear to giving equality of treatment to American trade, we would have to give most serious consideration to denouncing the *modus vivendi*. Mr. Sayre explained that a fundamental principle of our trade agreements program was the absence of discrimination and preferences reciprocally; we could not continue to give trade equality when Czechoslovakia did not grant us trade equality; for if we made one exception our whole foreign commercial policy, which is based on

the most-favored-nation principle, must break down. Mr. Sayre, therefore, hoped most sincerely that the Czechoslovak Government would be able to remove the discriminations under which our trade with Czechoslovakia was laboring, because otherwise we could not continue to grant that country minimum rates. Mr. Sayre made it clear that such diplomatic action as we might take would be taken in Prague.

The conference ended upon the statement of the Czechoslovak Chargé that he would try to explain our point of view to the Czechoslovak Government.

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611.60F31/164b

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

No. 156

WASHINGTON, November 10, 1936.

SIR: The Department encloses a note (date left open) which it desires you to transmit to the Czechoslovak Minister of Foreign Affairs. Two copies of the note for your files are also enclosed.

As you will observe, the position taken by the Department with reference to American trade with Czechoslovakia is that (1) the Czechoslovak Government must unilaterally take steps to insure to our commerce the equality of treatment provided by the *modus vivendi* of March 29, 1935, and the confidential note of the same date;<sup>21</sup> and that (2) this government will not bargain in order to remove discriminations which exist in contravention of the terms of the agreement.

The Department takes this opportunity to congratulate you and your staff for the able execution of your instructions in discussing trade problems with the Czechoslovak officials. It is not satisfied, however, that the Czechoslovak Government's assurances or proposals, as reported in your despatches, do in fact guarantee at all adequately most-favored-nation treatment to our trade. Accordingly, it will be necessary for you, at the time of presenting the enclosed note, to re-emphasize the Department's opinion on this subject, and to reiterate that this Government, while asking no specific trade concession, must insist that its trade with Czechoslovakia receive, without exception, no less favorable treatment than the trade of any non-Danubian country, as provided for in the *modus vivendi* and the confidential note of March 29, 1935.

You should convey the impression that your Government views with deep concern the constant disabilities that are being put in the way of American trade in Czechoslovakia; that your Government's concern

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<sup>21</sup> For text of confidential note, see *Foreign Relations*, 1935, vol. II, p. 147.

relates not only to the discriminations involving individual items such as you have already called to the attention of the Czechoslovak Government, but also to the general discrimination which the Czechoslovak Government is practicing against American commerce by the inequitable allocation of foreign exchange; and that this latter consideration is of the greater importance in view of the Czechoslovak Prime Minister's recent declarations respecting the new policy of diverting trade to those countries with which Czechoslovakia has clearing agreements. You may make it clear that unless the Czechoslovak Government finds it possible to correct these disabilities within the very near future, the Government of the United States does not propose to continue extending trade benefits to Czechoslovakia, and that early consideration will be given to the abrogation of the existing commercial arrangement.

With respect to the individual items of trade discussed by you with the Czechoslovak authorities, the Department encloses résumés<sup>22</sup> of the views of the interested Departments of this Government on the results of your representations. Each product is treated separately. These ten memoranda are for your information and guidance, and are not for communication to the Czechoslovak Government. They indicate approximately what the Department would consider as acceptable treatment. In the event the Czechoslovak authorities approach you with a concrete suggestion concerning the proposed treatment to be accorded a specific commodity, you are authorized to state, if the proposal falls short of the treatment indicated in the memoranda, that in your opinion, it would not be acceptable. On the other hand, if the proposal seems to be acceptable, you should not commit this Government in any way by agreeing to it; rather, you should suggest that the proposed treatment be put into practice and that your Government will determine its acceptability by actual results. In your conversations you should always fall back on the position that you are not asking for specific concessions, quotas, duty reductions or favors of any kind; your Government merely asks that the treatment provided for in the *modus vivendi* be accorded to our trade.

For your information and background purposes there are enclosed two memoranda prepared by the Tariff Commission<sup>23</sup> showing the Czechoslovak imports into the United States affected by existing trade agreements; a memorandum prepared in the Department, dated September 22, 1936,<sup>23</sup> covering (1) the application of the *modus vivendi* to quantitative restrictions; (2) the relation of most-favored-nation treatment to the Czechoslovak-French automobile cartel; and (3) the proposed Czechoslovak reservations regarding foreign exchange;

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<sup>22</sup> Not printed.

<sup>23</sup> Not found in Department files.

and a copy of a note received from the Czechoslovak Chargé d'Affaires ad interim in Washington, dated October 8, 1936.<sup>24</sup>

Kindly telegraph on what date you present the enclosed note to the Czechoslovak authorities, as I plan to hand a copy thereof to the Czechoslovak Chargé d'Affaires in Washington on the same day.

Very truly yours,

R. WALTON MOORE

[Enclosure]

*The Department of State to the Czechoslovak Ministry for Foreign Affairs*

Upon instructions from his Government, the American Minister in Prague delivered to the Czechoslovak Foreign Office a note from the Secretary of State of the United States dated April 7, 1936, which drew to the Czechoslovak Government's attention the provisions of the *modus vivendi* of March 29, 1935, and requested that Government to grant to products of United States origin the equality of treatment provided for in that *modus vivendi*.

Supplementing this note, the American Minister entered into a series of discussions with the appropriate Czechoslovak authorities with regard to certain specific trade problems and their relation to the *modus vivendi*. The result of these conversations has been in effect that the Czechoslovak Government has given various assurances and has made several proposals with respect to a portion of the difficulties discussed.

The Government of the United States appreciates the spirit which animated these assurances and these proposals. It regrets to observe, however, that the Czechoslovak Government has apparently overlooked the essential point and purpose of the Secretary of State's note of April 7, 1936. It can only reiterate that the *modus vivendi* of March 29, 1935, provides for unconditional most-favored-nation treatment, including fair and equitable treatment with respect to quotas and the allocation of foreign exchange. Exception to this principle is provided only in respect of the treatment which Czechoslovakia accords or may accord to the commerce of certain Danubian countries. In full compliance with its obligations under the *modus vivendi* the Government of the United States extended to Czechoslovak commerce, immediately and without request, the numerous benefits ensuing from the American trade agreements program. The Government of the United States had hoped that once the existing discriminations against

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<sup>24</sup> *Ante*, p. 46.

products of the United States had been drawn to the attention of the Czechoslovak Government by the American Minister at Prague, the Czechoslovak Government would of its own initiative and at once proceed to correct the situation. This Government feels that it should not be obliged to call to the attention of the Czechoslovak Government each case of discrimination against American commerce, but that it should rely upon the Czechoslovak Government to see that discrimination is not practiced against that commerce. Nor should the Government of the United States be expected to negotiate for the removal of the existing discriminatory handicaps under which American trade is now obliged to operate. In this connection it wishes to emphasize that it does not consider the representations made by its Minister in Prague as a negotiation or as the preliminaries of a negotiation, and it cannot accept the invitation implied in the Czechoslovak Government's replies to the Minister to enter into negotiations concerning these discriminations.

In view of the Note of October 8, 1936, handed to the Secretary of State by the Czechoslovak Chargé d'Affaires ad interim, in which the Czechoslovak Government expressed its desire to exert every effort in contributing towards a relaxation of international trade barriers and exchange control, the Government of the United States expects the more confidently that the Czechoslovak Government will immediately take steps to correct those discriminations which operate against the commerce of the United States.

As pointed out in the *Aide-Mémoire* which was handed to the Czechoslovak Minister at Washington on November 27, 1935, the Government of the United States does not regard the *modus vivendi* of March 29, 1935, as constituting a satisfactory permanent basis for its commercial relations with Czechoslovakia. Nevertheless, so long as the temporary agreement remains in effect the United States will continue to grant to Czechoslovak commerce the favorable treatment guaranteed by that agreement. The Government of the United States, however, must emphasize the reciprocal character of its policy whereby it extends most-favored-nation treatment to the commerce of other countries, provided that they do not discriminate against American commerce. Unless, therefore, the discriminations which are being practiced in Czechoslovakia against American commerce are corrected, the Government of the United States will find it necessary to consider giving notice at an early date of the abrogation of the existing commercial arrangement and to consider the withdrawal of the benefits now being accorded by it to the commerce of Czechoslovakia.

WASHINGTON, . . . . .

611.60F31/165

*The Czechoslovak Chargé (Němeček) to the Secretary of State*

604/36

WASHINGTON, November 17, 1936.

EXCELLENCY: With reference to a recent conversation, as well as to your note, No. 860 F 515/53<sup>25</sup> of November 2, 1936, in which attention was directed to difficulties which have been encountered by American commerce in Czechoslovakia, I have the honor to inform you as follows.

Immediately upon the enactment of the devaluation of the Czechoslovak currency, my Government had outlined concrete plans for the relaxation of control of Czechoslovak foreign trade.

The Czechoslovak Government is not aware of the fact that any further cause for complaint concerning the treatment of American commerce entering Czechoslovakia has existed since October 15, 1936, inasmuch as all obstacles of which notice had been given by the United States Minister in Praha, and which arose through the system of regulation of Czechoslovak foreign trade and especially of foreign exchange allocations, have been removed.

Attention should be drawn to the general advancement in the mutual trade relations between Czechoslovakia and the United States as evidenced by the increase in volume of exchange of goods during the first nine months of 1936. According to Czechoslovak foreign trade statistics in which the United States is listed as the country of production, United States imports into Czechoslovakia during this period have amounted to 513,000,000 Kč. Furthermore the direct United States trade with Czechoslovakia, according to country of consignment statistics, indicate that United States importation into Czechoslovakia amounted to 308,000,000 Kč., which signifies an increase of 57,000,000 Kč. against 1935, and 71,000,000 Kč. against 1934. This shows an increase of 22½ percentum as compared with the first nine months in 1935, and of 30 percentum as compared with 1934, while the increase of total Czechoslovak importation during this period amounted to only 15 percentum and 13.3 percentum respectively.

In the light of these figures which evince the general betterment of mutual trade relations, it is the belief of the Czechoslovak Government that the continuation of the impediments to American commerce no longer persists. However, in view of the seriousness of His Excellency's statements, I have the honor to add that my Government would appreciate being apprised concerning specific instances which are considered contrary to the provisions contained in the *modus vivendi* agreed upon March 29, 1936 [1935], and further interpreted in Your Excellency's note of November 27, 1935.

Accept [etc.]

DR. JOSEF NĚMEČEK

<sup>25</sup> File number changed to 611.60F31/161.

611.60F31/168

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

No. 597

PRAGUE, November 25, 1936.

[Received December 8.]

SIR: In confirmation of my telegram No. 59 of today's date,<sup>26</sup> I have the honor to report that I today delivered to the Czechoslovak Minister for Foreign Affairs in person the note transmitted for that purpose in the Department's instruction No. 156 of November 10, 1936, accompanied by a note of transmission a copy of which is enclosed herewith.<sup>27</sup> Pursuant to my interpretation of the instruction, I dated the Department's note as of today and it will be observed that in my note I employed phraseology contained in the Department's note of April 7, 1936, upon the same subject, and in the second paragraph of the Department's instruction under acknowledgment.

I began my conversation with the Minister by calling his attention to your previous note, the tenor of which the Minister informed me he clearly recalled: he also proved to be well informed as to the conversations which I had had with the Chief and Assistant Chief of the Economic Section of the Foreign Office.

I deemed it not only advisable but of value to refer to the speech which I had made before the Industrialists Club on the 18th instant, as reported in my despatch No. 594 of November 23, 1936,<sup>26</sup> and I informed the Minister that although the address in question had been prepared some weeks in advance of the date of its delivery and, of course, in preparation for such further representations as I might be instructed to make in the matter, the Department's most recent instruction directing me to hand him the note of today's date had not been received when the speech was made. In fact, to demonstrate my good faith in the matter I allowed him to note the date of the instruction and the date of its receipt (November 19th). Dr. Krofta at once recalled the conversation which we had had on that date and to which I have referred in my despatch upon that subject, and expressed his appreciation of my explanation of the chronology of events.

I then stated that he would observe from your note that, although the statements and explanations made by the officials of the Economic Section of the Foreign Office had been examined with the close attention which they merited, the position of my Government was based upon but one consideration: i. e. that there be insured to our commerce the unconditional equality of treatment provided by the *Modus Vivendi* of March 29, 1935 and the confidential note of the same date.

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<sup>26</sup> Not printed.

<sup>27</sup> Not attached to file copy.

I said, further, that examination of the question in the light of all the information which has been exchanged, as well as of subsequent developments, appeared to indicate that, although by no means the sole difficulty, the main obstacle had hitherto been conditional and restricted allocation of exchange for the purchase of American products, together with the method which was still followed by which quotas were determined and the exceptions which had been made in favor of non *Modus Vivendi* countries in discrimination against, and to the detriment of, American trade. I continued by observing that if—as I had been orally assured by competent authorities of the Foreign Office and of the National Bank—there would henceforth be no difficulties in the allocation of exchange for such purposes, and if I might receive official confirmation that such was now the settled policy of the Government, a large portion of the difficulties hitherto encountered might be considered to have been removed. With regard to the other two points, I stated that while I was prepared to explain the position of my Government to him or to the same officials as those with whom I had previously dealt, I must make it clear, however, that, as stated in your note, I was not empowered to enter into negotiations concerning these restrictions, and I reiterated that our position was based solely upon our expectation of unconditional most-favored-nation equality of treatment as the only possible interpretation of the *Modus Vivendi*.

The Minister, much to my interest, then broached not only the matter of the discriminatory preferences which automobiles of French manufacture had enjoyed before my first representations with regard to the matter, but also the uncertain and unsatisfactory provisions of the present substitute arrangement between the French and Czechoslovak automobile interests. After requesting me for obvious reasons to regard this information as confidential for the time being, he said that the day after my speech had been delivered and upon the insistence of the Chief of the Economic Section (to whom, as I have already reported, I had previously submitted a copy of the German text of my speech and of the English translation) a meeting had been held at the Foreign Office of the appropriate officials of the Ministries of Foreign Affairs, Commerce, and Finance, to whom it had been made clear that the Foreign Office was of the opinion that something definite must be done regarding the French arrangement, because the United States not only believed it to be in contravention of the terms of the *Modus Vivendi* but also because it was certain that a protest would soon be made with regard thereto. He added that the difficulty lay principally with the other Ministries concerned, but that there was also the disagreeable obstacle of French insistence together with the complications arising from political affiliations, as well as the commercial complexion of the agreements made between the motor interests of



the two countries. I improved the opportunity thus presented to state that in the opinion of my Government the arrangement was unsatisfactory and that it should be corrected if the Czechoslovak Government desired to continue to enjoy the advantages envisaged by the *Modus Vivendi*.

The Minister then observed that, as he understood it, what we desired was a "guarantee" of such equality of treatment. I replied that such was the case, adding that I felt sure that he would agree with me that no other interpretation of the *Modus Vivendi* and its accompanying confidential note was possible. The Minister then informed me that, as soon as your note had been brought to the attention of the experts of the Economic Section—which would immediately be done—he would discuss the matter with the Ministers of Finance and Commerce, the Prime Minister and the President of the Republic, immediately after which I would be informed. He observed that if I wished to discuss the matter with him alone, he would be very glad to do so, but inquired whether the same method of discussion with the Chief of the Economic Section as had previously been employed would be satisfactory—as he was not in possession of all the details. I replied that, although your note had now made it clear that the subject was not one for negotiation, I would of course be glad to discuss it with the officials with whom I had previously consulted, but that I would of course expect to discuss with him, if necessary, the major policy involved.

At this point in the conversation I deemed it expedient to reiterate my previous statement to the effect that if the important question of the allocation of exchange could be definitely and permanently settled, the balance of the points at issue appeared much more easily susceptible of immediate and mutually satisfactory solution. I went further in observing that, if I might speak with the frankness by which his remarks to me had been characterized, I was of the opinion that the momentary advantages obtained by temporary agreements with non *Modus-Vivendi* countries would in the long run prove far less than those assured by permanent and increasing commerce with the United States—especially as the present Administration of my country was to continue in office during the next four years, as well as the fact that all statistics showed that Czechoslovak commerce with the United States was increasing. He replied that he had already noticed that fact and, without actually committing himself, intimated acquiescence in this point of view.

The conversation closed upon the understanding aforementioned.

In connection with this subject it will not be without interest to the Department to learn that in a conversation, on the day following the United States Presidential elections, with Dr. Zdeněk Fierlinger, formerly Czechoslovak Minister to the United States and now Chief

of the Political Section of the Foreign Office, Dr. Fierlinger voluntarily observed that the moment was now ripe for united action between his country and the United States with regard to commercial policy: I replied that I unhesitatingly agreed. He then inquired whether I was fully aware of the situation regarding the automobile industry in this country: I replied that if he were referring to the possibility of the admission of more cars of American manufacture into Czechoslovakia, I believed this to be a matter which depended entirely upon equality of treatment under the *Modus Vivendi*, the allocation of necessary exchange, such local demand as might arise, and the absolute assurance that no discrimination in the importation of foreign cars should be permitted to arise to the detriment of automobiles of American manufacture. I said, further, that if he were referring to the importance of the local automobile industry to the defense of the country, I understood perfectly and had repeatedly explained to my Government that the assurance of domestic manufacture was of paramount importance to the mobility and motor transportation of Czechoslovak military forces, and that I trusted that he fully appreciated that it was not the desire of my Government to insist upon or to advocate the increased introduction of American cars at the expense of local industry, but merely to receive adequate guarantees that no preferential treatment should be accorded foreign cars which were not enjoyed by those of American origin.

As of further interest—especially with regard to the exchange situation which now appears to be on the way toward a satisfactory solution—the Assistant Chief of the Economic Section confidentially informed me on the date on which I reported by cable (No. 58, November 20, 12 noon <sup>29</sup>) concerning the increased quota allotted for American cars, that a short time previous thereto a meeting of the principal officials of the National Bank was held, at which the question was put to each official present as to who had empowered any representative of the Bank to state that exchange permits for American products would be withheld. After a discussion which was apparently prolonged and occasionally bitter, it transpired that a very rigid official of the Bank (whose name was not mentioned but of whose identity I believe I am aware) was responsible for this statement. It was, in fact, the repeated statements and uncompromising attitude of this official which had given rise to the repeated complaints of the importers of American goods and to the protest which the Acting Commercial Attaché had very properly addressed to the Bank. My informant continued by stating that these difficulties were not known at that time to the Foreign Office which Ministry, however, upon learning of this incident, informed the National Bank and the Ministry of Finance that they

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<sup>29</sup> Not printed.

must be blind to the consequences which would inevitably arise from such an attitude and were instructed to desist. This undoubtedly explains why the General Manager of the National Bank had gone to some pains to inform me that the question of exchange had been satisfactorily settled; it is also another indication of the difficulties which continually arise in matters of international commercial policy between the Foreign Office, which has given evidence of a desire to regularize commercial relations with us and to employ more elasticity in international negotiations of this nature, and a particularly rigid Ministry of Finance, which has interposed obstacles not only in matters of exchange but also in such questions as the negotiation of a consular convention, etc., etc. In this connection it will be recalled from the memoranda of previous conversations which I have had with Foreign Office officials, that one of the chief difficulties which that Ministry now is experiencing is the narrowness of view of the officials of the Ministry of Finance.

Such conversations as I may have with the Foreign Office upon the question of the *Modus Vivendi* will probably take place within a few days and I shall not fail to keep the Department informed thereof—by telegraph if necessary.

Respectfully yours,

J. BUTLER WRIGHT

611.60F31/165

*The Acting Secretary of State to the Czechoslovak Chargé  
(Němeček)*<sup>30</sup>

WASHINGTON, [undated.]

SIR: I acknowledge the receipt of your note 604/36 of November 17, 1936, and have taken due note of its contents.

Adverting to the request, contained in the last paragraph of your note, that the Czech Government be apprised concerning the specific instances which are considered contrary to the provisions of the *modus vivendi* of March 29, 1936 [1935], I believe you will agree with me that it would be more fitting that any discussion of the questions already broached with the Czech Ministry of Foreign Affairs be carried on in Prague, and accordingly the American Minister in that Capital has been instructed in that sense. In order, however, to acquaint you with the American Government's position with regard to the difficulties encountered by American commerce in Czechoslovakia, I desire to hand you herewith a copy of a note which was presented to the Czech Ministry of Foreign Affairs by the American Minister at Prague on November 25, 1936.

Accept [etc.]

For the Acting Secretary of State:  
[File copy not signed.]

<sup>30</sup> Handed to the Chargé on November 25.

611.60F31/172

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

No. 605

PRAGUE, December 4, 1936.

[Received December 16.]

SIR: I have the honor to report that upon the request of Dr. Stangler, Assistant Chief of the Economic Section of the Foreign Office, I called upon him at 5:00 o'clock yesterday afternoon in order to continue with him—pursuant to the understanding reached in my conversation with the Minister for Foreign Affairs on November 25th—the representations concerning the unconditional observance of the terms of the *Modus Vivendi* contained in the note of the Department delivered to the Minister on that date.

In order that there might be no misunderstanding as to the tenor of my conversation with the Minister, I read to Dr. Stangler pages 1 to 6 of my despatch No. 597 of November 25, 1936, in which I reported that conversation. He said that my report coincided with that which the Minister for Foreign Affairs had made of the conversation.

He then referred to that sentence in page 3 of the Department's note reading, "Nor should the Government of the United States be expected to negotiate for the removal of the existing discriminatory handicaps under which American trade is now obliged to operate", and observed that perhaps a misunderstanding had arisen with regard to the nature and intent of the discussions which had taken place between Foreign Office officials and myself subsequent to the delivery of the note of the Secretary of State dated April 7, 1936. He then stated that the attitude of his Government during these conversations had not been that of negotiation, but should be considered as an attempt on the part of its representatives to ascertain what were the difficulties of which the Government of the United States complained—adding that they knew only too well that such difficulties existed with regard to automobiles. (It may be observed at this point that this admission is of interest, in view of the fact that during the period preceding these first conversations, as well as during the first portion of the former discussions, the Czechoslovak Government disclaimed any official knowledge whatever of the preferential arrangement in favor of automobiles of French manufacture). He then said that it would have been observed that the quota for several articles of American manufacture had been increased—which he hoped had been recognized as an evidence of the desire of this Government to accord every possible facility to American trade. As will hereinafter be seen, I reserved my comment on this phase of the matter until later.

Dr. Stangler then said that the United States Government was perfectly correct in maintaining that no negotiation is called for, and

reiterated that his Government had merely been trying to find out what was satisfactory to the United States. It was for this reason, he said, that the quotas for automobiles and apples had been made **as large as possible** (voluntarily observing that two and a half million crowns had been earmarked for American apples for consumption during the Christmas Season, and an equal amount for the succeeding period)—adding that instructions had already been given that all applications for import permits and exchange allocation for American apples were to be granted without delay and that the importation of this product will be larger this year than during any previous season: in his words, "American fruit will have preference". I likewise reserved until later my comment on this statement.

He then said that the Foreign Office had been somewhat embarrassed by the receipt of your note, because it had expected that I would have been able to give evidence to my Government that the treatment of American commerce had been increasingly favorable. I reserved until later my comment on this point also.

He then stated that, as he had previously assured me (see pages 7 and 8 of my despatch No. 597) the Foreign Office had not known that the National Bank had taken, or would take, such action to control the allocation of exchange for American products as had ultimately been discovered to have taken place. At this point I observed that this arbitrary action on the part of the Bank had been as responsible as had any other single factor for the attitude of my Government, had obscured our conversations and bewildered the importers of American articles, and that it was for this reason that the Acting Commercial Attaché had directed specific inquiries of the National Bank. Dr. Stangler continued by saying that upon his return from a vacation in September (at which time the practice of the Bank, of which complaint had been made, was especially aggravated) he had inquired whether the desires of the Foreign Office regarding the allocation of American exchange had been observed; and that upon learning from the Acting Commercial Attaché of the difficulties which had not only persisted but had taken more aggravated form, the Foreign Office had taken action with the Ministry of Finance and the National Bank, with the results which had been made known to us (see page 8 of despatch No. 597). At this point he made the interesting observation that he had been told at that time by the Bank that local importers of American goods were satisfied with allocation of exchange upon condition that it was not to be available until December 1st—which Dr. Stangler said had been very embarrassing both to him and to the Foreign Office, because that was neither the desire nor the policy of the Foreign Office and, furthermore, **did not accord with his understanding of American business methods**. He said that during the vacation time (which, I may observe at this

point, always results in practical paralysis of the Ministries and other institutions) substitutes had been in charge not only in the Ministries of Finance but at the National Bank, who perhaps were not fully acquainted with the matter: but upon learning that permits for import and exchange were being delayed, he had requested the Ministries of Finance and of Commerce to issue prompt instructions that permits of both kinds be issued in accordance with the principle of most-favored-nation treatment.

He then reverted to the aforementioned statement in the note of the Secretary of State, to the effect that no negotiations are to be undertaken in this matter, and observed that such accords with Czech practice: therefore, if we are now aware, or should in future be aware, of any case of failure to accord most-favored-nation treatment, he trusted that the appropriate officials of the Czech Government would be immediately notified.

Continuing a conversation which was apparently not too palatable for him and which was characterized by increasing frankness, Dr. Stangler then observed that it would be recalled that upon my representations concerning such arbitrary procedure, the practices complained of had been discussed with the appropriate Ministries and the officials concerned either transferred or dismissed. He said that sometimes these minor officials acted through ignorance of policy; sometimes their immediate chiefs had failed appropriately to instruct such officials; sometimes honest mistakes had been made through lack of knowledge; sometimes acts of undeniable dishonesty had taken place; and occasionally the authorities who had instructed such officials were themselves under the direct or indirect influence of producers of articles competing with those of foreign manufacture!

I said that despite certain misapprehensions which appeared to have arisen and which I hoped would be clarified in the course of our succeeding discussions, I thought that the frankness of his explanation of the point of view of his Government and of the difficulties which the Foreign Office was experiencing in inducing other Ministries and institutions of the Government to take the same view, carried the assurance that the apparent differences which had at one time seemed so great might immediately be put on the road toward early and mutually satisfactory conclusion. I said, further, that I believed that such ends could be achieved only by frank discussion of the few points which appeared to remain, to wit:—

The temporary or seasonal increase of the quotas for certain of the American products which had been under discussion between us— notably automobiles and apples. On this point I stated that while the increase in such quotas was gratifying as far as the increased sales of

the specific products were concerned, he would recall that I had consistently taken the position—now reaffirmed by my Government—that such gestures arising from seasonal requirements, or failure of competitors to provide similar articles, or any other reason whatever, did not appear to meet the point at issue, which was that assurances should be forthcoming that American products would receive equal treatment with that accorded to products from other countries: no more, no less. I observed that he would recall that in our previous conversations there had been discussed the possibility that American quotas might sometimes be in excess of those enjoyed by other countries; which, however, would in no way affect the principle for which we were contending. Therefore, increased quotas of certain products at certain times did not satisfactorily assure the treatment which we expected.

As to the hope expressed that I might have been able to convey to my Government assurances that the Czech Government was endeavoring to accord satisfactory treatment to American products, I said that I had not only transmitted to my Government the texts of the *aides-mémoire* exchanged regarding each commodity, but that I had also reported at some length the tenor of our several conversations, from which my Government could draw its own conclusions and in view of which I was of course in accord with the attitude of my Government that the treatment which had been promised regarding certain articles did accord with the principles of the *Modus Vivendi*. It was therefore in a last effort to clear up this misunderstanding that I was not only ready to discuss—although in no way to negotiate—concerning these points, but that I had also been equipped by my Government with material for such discussions. This led me to my third point of “discussion” versus “negotiation”.

In this connection I stated that it would be observed from the second paragraph of the Department's note of November 25th, that our conversations had been recognized by my Government as “discussions”, and that due attention had been given to the assurances and proposals made by the Czechoslovak Government in the course of these discussions. I was therefore of the opinion that, in referring to the regret or embarrassment caused to his Government by our unwillingness to “negotiate” regarding these matters, there may have been some misunderstanding as to the employment of these terms. Therefore, as a proof of good faith in the matter and as of a genuine desire to bring this vexatious question to a close as soon as possible, I informed him of my possession of the résumés of the views of the interested Departments of my Government regarding the respective commodities, upon which basis I was prepared at once to discuss—not to negotiate—the points which had not yet been made clear regarding them.

Dr. Stangler then showed me certain memoranda which he said had been prepared regarding each specific commodity under discussion, and observed that, although he would in no way expect or consider such replies as we might care to make as tantamount to "negotiation", some of the allegations of discriminatory or preferential treatment which had been made by us were not clear to his Government which would welcome an opportunity for their clarification. With regard to tare allowances, for example, all the appropriate Ministries had been consulted but did not yet clearly understand what we desired. I replied that it was apparently with such intent that the résumés with which I had now been furnished had been prepared. He then observed that the case of apples might be considered as characteristic of the whole discussion—adding that our representations had affected all the Ministries concerned and that even a port inspection had taken place—as a result of which it had been seen that the method of packing had been improved and made lighter. (In other words, they had really looked into all phases of the importation of this product—a thing which they had never done before). I replied that it was just this object of examination and definitive determination that we were endeavoring to achieve while, at the same time, proving of such assistance to his Government as might be proper.

With regard to the statement on page 3 of the Department's note that our Government does not consider that it should be obliged to call to the attention of his Government each case of discrimination against American commerce, I said that this statement was clearly related to the other matters under discussion: i. e. that if equality of treatment in all cases was accorded, the necessity for complaints regarding specific instances should entirely disappear. Dr. Stangler said that his Government had never expected that we should call attention to each case: in fact, that he did not consider that such would be the function of a Legation, but that nevertheless until the situation had been completely clarified, the Foreign Office would consider the additional material apparently in hand as of great assistance and would duly appreciate it. I replied that the conversation appeared increasingly to show that we were talking to much the same end and that such additional material as I now possessed would be offered in the spirit which actuated our policy in such matters and in the hope that it might prove of assistance to the Czechoslovak Government and achieve an immediate and definitive solution of the matter. As to complaints regarding specific cases that might arise thereafter, I said that while the Legation was at all times prepared to discuss such principles as those now under consideration and to cooperate in every way properly possible, I of course agreed with him that specific com-



plaints of alleged infractions could, and would, not be continued after the principle involved had been confirmed. Such attention as might have to be given to those details would be conducted either through the appropriate channels of the Commercial Attaché or by representations to appropriate officials of the Czech Government by importers of American goods.

Dr. Stangler then stated that he wished to apologize for any wrong impression as to his Government's attitude that might have been created: it was not the intention of his Government to create such an impression and it is his Government's desire hereafter to maintain full control over such matters.

I then inquired whether my impression was correct that the representations which had been made by the Legation had assisted the Foreign Office in detecting and correcting the abuses and irregularities to which he had referred so frankly to me: he replied that they had been of such assistance and that his Government desired to express appreciation therefor.

As the time available for this portion of the discussion had then drawn to a close, I asked whether I might inform my Government that I would soon receive written assurances in reply to the two notes of the Department that the unconditional most-favored-nation treatment would govern in any and all instances, and that all that now remained was the clarification of certain specific cases. He replied that I might do so.

I then said that I was ready to clarify with him the remaining points concerning the respective commodities to which the résumés transmitted in the Department's instruction referred: he replied that such an opportunity would be given me at an early moment and the conversation terminated with that understanding.

It will be observed from the foregoing that this Government has, at long last, apparently abandoned the argumentative and circuitous methods to which they have hitherto resorted in these matters, and has orally and unconditionally undertaken to accord to American trade the treatment for which we have contended. The attitude and practice of the Foreign Office as set forth in its memoranda concerning the specific commodities—while undoubtedly intended at the time of their submission to form the basis of further negotiation (or whatever simile for that word this Government may have desired to employ)—are now described as having been expressions of a policy intended to elicit replies from our Government: these replies have now been forthcoming in the résumés prepared for my use, which will be utilized in accordance with the instructions accompanying them.

It will also be observed that, as I have repeatedly reported, the Foreign Office has undoubtedly experienced great difficulty in obtaining even the semblance of cooperation from a stubborn and almost recalcitrant Ministry of Finance; furthermore, the irregularities and obliquity of certain officials in the Finance Ministry, the Customs Administration and the National Bank have now been officially admitted.

To all these considerations should be added the fact that the Czechoslovak Government now realizes that the situation has become much more clearly defined on account of the re-election of President Roosevelt: in fact, one official inadvertently blurted the observation to me that "at last we know what your policy is going to be for the next four years." That this has been a most important factor is indisputable, and I trust that the exposition of our policy in this matter in my recent speech at the Industrial Club may have proven opportune.

That all difficulties regarding the automobile situation have not as yet been cleared away is evident from a remark which the Minister for Foreign Affairs made to me last evening at the Legation. I referred to my conversation with Dr. Stangler and expressed my satisfaction that we now appeared to be seeing much more nearly eye to eye—in which he acquiesced but informed me with no little exasperation that the French were proving "increasingly difficult" in the matter of the importation of automobiles. Of course, the time has come when this Government will have to choose between the alleged advantages of any arrangement of that nature and those afforded by a continuation of the *Modus Vivendi* with us. I believe that while we may shortly obtain confirmation of the unconditional acceptance of the principle for which we are contending, and while the discussion of the remaining points concerning the respective commodities will aid in the clarification of the situation and serve as proof of our desire to be as helpful as possible in the establishment of this principle, such delay as may persist will be principally due to the attitude of the French manufacturers (and Government) with regard to automobiles.

Respectfully yours,

J. BUTLER WRIGHT

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860F.5151/87: Telegram

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

PRAGUE, December 24, 1936—1 p. m.

[Received December 24—11:10 a. m.]

62. I am today in receipt through the Foreign Office of a written statement of the National Bank declaring that it now allots and in future will allot exchange for all American goods strictly in accord-

ance with the provisions of section 2 of supplemental agreement of March 29, 1935.

Text of covering note and of foreign statement by mail.<sup>31</sup> Written confirmation of such other points as have been satisfactorily resolved to date as reported in my despatches is promised early in January.<sup>32</sup>

WRIGHT

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<sup>31</sup> Neither printed.

<sup>32</sup> Not printed.

## ESTONIA

### DESIRE OF THE ESTONIAN GOVERNMENT FOR MODIFICATION OF THE COMMERCIAL TREATY OF 1925; PRELIMINARY DISCUSSIONS REGARDING A TRADE AGREEMENT<sup>1</sup>

611.60i31/30 : Telegram

*The Secretary of State to the Chargé in Estonia (Carlson)*

WASHINGTON, April 11, 1936—3 p. m.

3. In view of the impossibility of concluding and bringing into force a treaty, amending the Treaty of Friendship, Commerce and Consular Rights between the United States and Estonia,<sup>2</sup> on or before May 22, 1936, the date upon which that Treaty will terminate as a result of the notice given by Estonia on May 21, 1935,<sup>3</sup> the Department desires that you approach the Estonian Government with a view to having that Government withdraw on some date prior to May 21, 1936, its notice of intention to modify the Treaty as notified in its note of May 21, 1935, and give on May 22, 1936, a new notice of intention to modify the Treaty, thereby extending the life of the Treaty for one year. It is believed that this period will give the two Governments ample time in which to negotiate the modifications desired in the existing Treaty. You will recall that the Estonian Government has advised you informally that it would be willing to give consideration to a proposal involving the prolonging of the existing Treaty for a period of one year. Inform Department promptly by cable of result of your discussion with Foreign Office.

You may inform the Foreign Office that the proposals presented by the Estonian Government in its note of December 20, 1935,<sup>4</sup> have been under study in the Department, which hopes to be able to make a reply in the very near future.

Precedents for withdrawal of denunciation of a treaty may be found in correspondence relating to denunciation of Consular Convention of 1878 between United States and Italy in *Foreign Relations* 1917, pages 21, 24 and 25, and in that relating to denunciation of Commercial

<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1935, vol. II, pp. 179 ff.

<sup>2</sup> Signed on December 23, 1925, *ibid.*, 1925, vol. II, p. 70.

<sup>3</sup> See telegram No. 5, May 22, 1935, from the Chargé in Estonia, *ibid.*, 1935, vol. II, p. 188.

<sup>4</sup> Not printed; but see despatch No. 527 (Diplomatic), December 20, 1935, from the Chargé in Estonia, *ibid.*, p. 198.

Treaty of 1837 between United States and Greece in *Foreign Relations*, 1920, II, pages 711 to 715, a copy of which has recently been forwarded to you.

HULL

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611.60131/39: Telegram

*The Chargé in Estonia (Carlson) to the Secretary of State*

TALLINN, April 22, 1936—4 p. m.

[Received April 22—1:10 p. m.]

4. Referring to Department's telegram of April 11, 3 p. m., the Foreign Office handed me today a note stating principally "The Estonian Government agree to withdraw their proposal as far as it concerns the expiration of the Treaty and as worded in the note of the Ministry of Foreign Affairs to the American Legation of May 21, 1935 (. . .) <sup>4a</sup>. At the same time the Estonian Government, referring to the stipulations of Article 35 [29] of the existing Treaty, confirm their desire to modify the existing Treaty on May 22, 1937, at the latest". Full text <sup>5</sup> is being mailed.

CARLSON

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611.60131/40

*Memorandum by the Chargé in Estonia (Carlson) of a Conversation With the Director of the Foreign Trade Department of the Estonian Foreign Office (Wirgo)*<sup>6</sup>

[TALLINN,] April 22, 1936.

On April 22, 1936, the American Chargé d'Affaires a. i. at Tallinn was asked to come to the Foreign Office at Tallinn and to call on Mr. Ed. Wirgo, the Director of the Foreign Trade Department of the Estonian Foreign Office. At the Foreign Office the Chargé d'Affaires was handed by Mr. Wirgo, a note dated April 22, 1936,<sup>7</sup> in reply to a note addressed by the American Legation at Tallinn to the Foreign Office at Tallinn, on April 15, 1936,<sup>5</sup> in which the question of the prolongation of the existing treaty of Friendship, Commerce and Consular Rights between the United States and Estonia for one year was broached.

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<sup>4a</sup> Omission indicated in the original telegram.

<sup>5</sup> Not printed.

<sup>6</sup> Transmitted to the Department by the Chargé in Estonia in his despatch No. 620 (Diplomatic), April 23; received May 7.

<sup>7</sup> See telegram No. 4, April 22, from the Chargé in Estonia, *supra*.

In handing the foregoing note to the Chargé d'Affaires, Mr. Wirgo said that he had a few observations to make concerning the foreign trade relations between the United States and Estonia and about the necessity of trying to bring the commodity exchanges between the two countries into a state of balance at as early a date as possible. Mr. Wirgo's remarks relative to the foregoing matters were approximately as follows.

In the course of the past two or three years Estonia had entered into foreign trade and clearing agreements with a number of countries under which it was bound to direct its import trade to these countries as long as Estonia's trade balances with the latter continued to be active. Under this heading particular reference might be made to Great Britain and to Germany, both of which were important purchasers of Estonian export commodities.

Estonia was, therefore, obliged to give first consideration to foreign exchange demands made upon it by importers of products from the above-mentioned countries. A situation might, thus, arise under which foreign exchange would not be available for purchases of commodities of American origin. Should, for example, a poor harvest in 1936 affect Estonia's economic situation disadvantageously, the Estonian authorities might be constrained to adopt the same procedure in respect to import licenses and foreign exchange for imports from the United States as was now being applied against imports from all other countries with which Estonia had passive foreign trade balance. Up to the present time, goods of American origin had been admitted into Estonia despite the fact that the Estonian-U. S. A. trade balance was heavily against Estonia.

It was Mr. Wirgo's hope that the conclusion of a modified commercial treaty with the U. S. A. might be expedited, and that the new treaty might possibly enter in effect even prior to May 22, 1937, so that a means might thereby be provided for the removal of Estonia's present unfavorable trade balance with the U. S. A. through the increase in exportations of Estonian goods to the markets in the U. S. A.

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611.60131/40 : Telegram

*The Secretary of State to the Chargé in Estonia (Carlson)*

WASHINGTON, May 21, 1936—noon.

4. Your despatch No. 620, diplomatic, April 23, 1936.\* Please acknowledge Foreign Office's note of April 22 therewith enclosed and say that the Government of the United States accepts the note as a withdrawal of Estonian notice of May 21, 1935, to terminate the treaty

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\* Not printed.

of friendship, commerce and consular rights between the United States and Estonia on May 22, 1936, and as a prolongation of the life of the treaty until May 22, 1937. At the same time express this Government's high appreciation of Estonia's courtesy.<sup>10</sup>

HULL

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611.60131/45

*The Minister in Estonia (Lane)*<sup>11</sup> to the Secretary of State

[Extracts]

No. 3 (Diplomatic)

TALLINN, September 17, 1936.

[Received October 16.]

SIR: I have the honor to inform the Department that Mr. Ed. Wirgo, the Director of the Bureau of Foreign Trade of the Estonian Foreign Office today requested the Legation to ascertain the attitude which the Government of the United States might be expected to take on the proposals which were made by the Estonian Government in December, 1935, concerning a reciprocal trade agreement between the United States and Estonia, and specifically with respect to potato spirits, referred to at greater length on page 3 of this despatch.

In the above-mentioned conversation, I brought up the question of the pending commercial treaty negotiations. I stated to Mr. Wirgo that, while I had no information to convey on this subject other than that which was contained in the notes which had been exchanged between the Estonian Foreign Office and the American Legation at Tallinn, I might, in view of my experience in the negotiation of a treaty of the above-mentioned kind with Nicaragua,<sup>12</sup> be in a position to answer questions which he might wish to ask concerning the reciprocal commercial treaties which the United States was now concluding with countries in various parts of the world.

Pursuant to my suggestion, Mr. Wirgo proceeded to explain Estonia's point of view in relation to a new commercial agreement with the United States. He pointed out that the Estonian-U.S.A. trade balance had always been unfavorable to Estonia. Estonia had, nevertheless, not introduced any special measures in an effort to correct this situation. The Estonian Government had always felt that, in view of the fact that Estonia had defaulted its debt payments to the

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<sup>10</sup> The Chargé in Estonia reported in his despatch No. 653 (Diplomatic), May 23, that this instruction had been embodied in a note handed by him to the Director of the Foreign Trade Bureau of the Estonian Foreign Office, Mr. Ed. Wirgo, on May 22 (611.60131/43).

<sup>11</sup> The Minister was accredited to Estonia, Latvia, and Lithuania, with residence at Riga.

<sup>12</sup> See vol. v, pp. 732 ff. For text of the agreement signed on March 11, 1936, see Executive Agreement Series No. 95 or 50 Stat. 1413.

United States, it did not wish to bring any pressure to bear upon the latter in respect the removal of the unfavorable balance in the Estonian-U.S.A. commodity exchanges. Mr. Wirgo went on to say that despite the foregoing policy on the part of the Estonian Government, the latter was now being practically forced to look for a means to bring its trade with the United States into a more nearly balanced state.

Mr. Wirgo then stated that it was with this situation in mind that the Estonian proposals for a reciprocal trade agreement with the United States had been submitted in December, 1935. In these proposals Estonia had requested customs duty reductions for twenty-two Estonian commodities upon their importation into the United States.

It was realized by the Estonian authorities that it might not be possible for the Government of the United States to grant to Estonia all of the requested customs duty reductions. There was, however, one commodity in the above-mentioned list of Estonian products, in the exportation of which to the United States, the Estonian authorities were greatly interested. This commodity was potato spirits for use as a raw product in the manufacture of liquors with a high alcoholic content.

Mr. Wirgo then explained that prior to the World War large quantities of potato spirits had been produced in that part of Russia which now constitutes the Republic of Estonia. This production had since been reduced very much, but the production equipment was still available. It was Estonia's wish to re-enliven this branch of activity; in order, however, to make this possible it would be necessary for Estonia to find new markets for potato spirits. It was hoped that through the new commercial treaty with the United States a new market of this kind might be developed.

He then proceeded to outline in detail his ideas on this subject. He said that it was his suggestion that the United States Government grant to Estonia a 50% customs duty reduction on potato spirits the latter to be defined in the new treaty as follows: "spirits produced from Topaz potatoes." Since the variety of potato known under the name of Topaz was now only being grown in Estonia, the effect of most favored nation treatment upon the importation into the United States of potato spirits would be reduced to a minimum. It was Mr. Wirgo's further suggestion that an arrangement might thus be brought about under which Estonian potato spirits would be exchanged for the American cotton now being imported into Estonia.

Mr. Wirgo expressed the opinion that, as far as the proposed U. S. A.-Estonian commercial treaty is concerned, practically every-



thing depended upon the customs duty reductions which the United States Government would be disposed to grant to Estonia. He said that he was very much interested in securing at as early a date as possible an indication as to what the attitude of the Government of the United States was likely to be.

In response to these observations on the part of Mr. Wirgo, I pointed out that the reciprocal trade agreements now being concluded by the United States were ordinarily accompanied by two schedules: in the first of these information was set forth covering the custom duty reductions which the United States agreed to grant: in the second schedule the corresponding facilities granted to American products by the other party to the treaty were listed. I thereupon asked Mr. Wirgo what, in his opinion, the United States might expect to receive from Estonia in the way of custom duty decreases.

To this Mr. Wirgo replied by mentioning representations which had already been made to him by a certain American automobile manufacturer to the end of securing lower Estonian duties on automobile parts. He indicated that Estonia might be disposed to grant this request provided that Estonia's request for duty reductions was given favorable consideration by the United States, in part at least. He likewise intimated that other American goods might possibly be found for which reductions in the Estonian customs duty tariff might be made. Mr. Wirgo again said that Estonia's concessions along this line depended entirely upon the corresponding action which the United States would take.

In taking my departure from Mr. Wirgo, I told him that his request for information on the above-mentioned subject would be referred by me to the Department.

I have the honor, accordingly, to submit the foregoing to the Department with the suggestion that the Estonian inquiry regarding possible reduction of duty on "spirits produced from Topaz potatoes" be given very careful consideration. From the conversations with Messrs. Selter<sup>13</sup> and Wirgo and from previous information obtained by Mr. Carlson, it seems evident that the principal desideratum of the Estonian Government in the negotiation of a new treaty is a concession with respect to that commodity. Consequently, the success or failure of the negotiations may from the outset be determined by our attitude.

Respectfully yours,

ARTHUR BLISS LANE

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<sup>13</sup> Estonian Minister for Economic Affairs.

611.60131/46

*The Chargé in Estonia (Carlson) to the Secretary of State*

No. 24 (Diplomatic)

TALLINN, November 4, 1936.

[Received November 28.]

SIR: I have the honor to transmit herewith a memorandum of a conversation <sup>14</sup> which I had on November 2, 1936, with Mr. Karl Selter, the Estonian Minister for Economic Affairs concerning the trade relations between Estonia and the United States.

As will appear from the memorandum, Minister Selter was disposed to take a favorable attitude towards the development of the commodity exchanges between the two countries, particularly since he seemed to feel that there would in future be an increase in the sale of Estonian products to the United States. The Minister also gave the impression that no attempt would be made to place a serious check upon the admission of American staple products into Estonia.

During the course of the conversation the Minister made some interesting observations concerning imports of American motor vehicles into Estonia. He said, among other things, that an American motor car company was entertaining plans for the establishment of an assembly plant in Estonia.

Respectfully yours,

H. E. CARLSON

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<sup>14</sup> Not printed.

## FINLAND

### RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND FINLAND, SIGNED MAY 18, 1936<sup>1</sup>

611.60d31/136½

*Memorandum by Mr. Landreth M. Harrison of the Division of  
Eastern European Affairs*

[WASHINGTON,] January 17, 1936.

The original and three copies of the attached United States reply<sup>2</sup> to Finnish counter-proposals for the general provisions<sup>3</sup> to be included in the proposed American-Finnish trade agreement were delivered to the Finnish Minister<sup>4</sup> today, together with the original and three copies of the attached comments thereon.<sup>2</sup> This reply will be studied in the Finnish Legation over the week-end and the Minister or Dr. von Numers<sup>5</sup> will call at the Department in the event that any further information with respect thereto is desired before the full text is referred to the Finnish Foreign Office.

L. M. HARRISON

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611.60d31/136½

*Memorandum by Mr. Landreth M. Harrison of the Division of  
Eastern European Affairs*

[Extracts]

[WASHINGTON,] February 24, 1936.

Dr. von Numers, Secretary of the Finnish Legation, called this morning to present the reply of the Finnish Government to our counter-proposal<sup>2</sup> covering the general provisions.

[A small number of minor verbal changes relating to certain articles, and a few proposed eliminations, are here omitted.]

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<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1935, vol. II, pp. 203 ff.

<sup>2</sup> Not printed.

<sup>3</sup> Not found in Department files.

<sup>4</sup> Eero Järnefelt.

<sup>5</sup> Secretary of the Finnish Legation in Washington.

Dr. von Numers added that the reason given by his Government for requesting the elimination of the termination provisions<sup>7</sup> was on the grounds that with their inclusion the agreement could become valueless to Finland at any time.

I informed Dr. von Numers that we would examine these requests and furnish the Legation shortly with our replies thereto. He promised that our replies would be cabled to Finland in order to expedite action.

L. M. HARRISON

611.60d31/133a

*The Acting Secretary of State to President Roosevelt*

WASHINGTON, March 20, 1936.

MY DEAR MR. PRESIDENT: The negotiations for a trade agreement with Finland have practically been completed and a very satisfactory agreement is in sight.

Finland is willing to grant an attractive list of concessions for the benefit of our trade including tariff reductions on a number of agricultural products. Tariff concessions are offered on lard, fresh apples, grapefruit, raisins, prunes, dried fruits, and canned fruits and vegetables, which should result in substantial increase in our exports of these products to Finland. I am enclosing a statement<sup>8</sup> listing the concessions offered on the above mentioned products.

The tariff concessions proposed to be granted to Finland include, in addition to the concessions on granite, cheese, sulphate wrapping paper

<sup>7</sup> Certain standard provisions were contained in articles VI, XI, and XIV, whereby under precisely stated conditions the trade agreement could be terminated after a stipulated number of days upon written notice being given by either signatory. In the revised draft of March 24, 1936, articles VI, XI, and XIV, became articles VII, XIII, and XVI, respectively. Article XVI, about which there was some particular correspondence, read as follows: "The Government of the United States of America and the Government of Finland reserve the right to withdraw or to modify the concession granted on any article under this Agreement, or to impose quantitative restrictions on any such article if, as a result of the extension of such concession to third countries, such countries obtain the major benefit of such concession and in consequence thereof an unduly large increase in importations of such article takes place: *Provided*, That before the Government of either country shall avail itself of the foregoing reservation, it shall give notice in writing to the other Government of its intention to do so, and shall afford such other Government an opportunity within thirty days after receipt of such notice to consult with it in respect of the proposed action; and if an agreement with respect thereto is not reached within thirty days following receipt of the aforesaid notice, the Government which proposed to take such action shall be free to do so at any time thereafter, and the other Government shall be free within fifteen days after such action is taken to terminate this Agreement in its entirety on thirty days' written notice."

<sup>8</sup> Not attached to file copy.

and cream separators which were approved by you last August, three additional concessions for which your approval is now requested, namely:

- (1) A reduction in duty on cream separators valued at more than \$50 and not more than \$100 each (you have already approved the binding on the free list of cream separators valued at not more than \$50 each).
- (2) A tariff reduction on birch plywood.
- (3) A tariff reduction on spools for thread.

I attach a table<sup>9</sup> containing the essential data regarding these proposed additional concessions. These are very minor items. The ratio of imports to domestic production is minute and imports of none of these three items exceeded \$2000 in 1934. Although there may be some criticism by the independent spool producers of the proposed concession on spools and from the Northwest with reference to the concession on birch plywood, the Trade Agreements Committee is informed that the birch plywood concession will not in any way adversely affect the domestic producers and that the spool concession will have little effect.

In view of the excellent concessions on our agricultural products which we will obtain by the proposed trade agreement, I am convinced that it would be desirable to proceed now to the conclusion of the trade agreement on the terms arrived at, and therefore solicit your approval of these three minor additional concessions.<sup>10</sup>

Faithfully yours,

WILLIAM PHILLIPS

611.60d31/1561

*Memorandum by Mr. Landreth M. Harrison of the Division of Eastern European Affairs*

[WASHINGTON,] March 23, 1936.

Conversation: The Minister of Finland, Mr. Eero Järnefelt;  
The Secretary of the Finnish Legation, Dr. Sigurd von Numers;  
Mr. Robert F. Kelley;<sup>11</sup>  
Mr. Landreth M. Harrison.

The Finnish Minister called to present the Finnish reply<sup>9</sup> to our proposals with respect to the general provisions which were given to Dr. von Numers by Mr. Harrison on March 6, 1936.<sup>9</sup>

<sup>9</sup> Not printed.

<sup>10</sup> No reply from the President has been found in the Department's files, but as these concessions were made in the agreement, presumably that approval was given.

<sup>11</sup> Chief of the Division of Eastern European Affairs.

The Finnish Government accepted the new articles which are to be inserted in the draft as Articles III and XII. It likewise agreed to the addition of the proposed second paragraph to Article X, to the omission of the final phrase of the Finnish proposal for Article XVII, and to the inclusion of the final clause in Article XV.

The Minister then stated that the Finnish Government objected in principle to the optional termination clauses contained in Articles VI, XI, and XIV on the grounds that such provisions might make the agreement valueless to Finland. He added that his Government was willing to retain in the proposed Articles VI and XI provisions calling for negotiations but that it was not willing to have the optional termination clauses. The Finnish Government is not willing to accept Article XIV and desires to have this entire article omitted from the proposed agreement. The Minister discussed at some length contingencies which might arise under the above termination provisions, making a special point of the application of Article XIV in the event that large imports into the United States of birch plywood took place as a result of the concession made on that commodity.

Our position with respect to these optional termination provisions was explained at length to the Minister and Mr. Kelley informed him that he would make known to him on March 24 the decision with respect to the Finnish requests regarding these articles.

L. M. HARRISON

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611.60d31/157½

*Memorandum by Mr. Landreth M. Harrison of the Division of  
Eastern European Affairs*

[WASHINGTON,] March 24, 1936.

In continuation of the discussion of March 23 with the Finnish Minister with respect to the general provisions, Mr. Kelley telephoned the Finnish Minister as follows:

The Finnish proposal to omit all optional termination provisions in the proposed agreement cannot be accepted by the United States. All these provisions are standard and are included in trade agreements with other countries, including those with Canada<sup>13</sup> and Sweden<sup>14</sup> which contain commodities of the same general type as those in the proposed Finnish agreement. Each optional termination provision is required for legal or general policy reasons, without particular reference to Finland. These provisions represent an effort to

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<sup>13</sup> See *Foreign Relations*, 1935, vol. II, pp. 18 ff. For text of the agreement with Canada, signed on November 15, 1935, see Executive Agreement Series No. 91, or 49 Stat. 3960.

<sup>14</sup> See *Foreign Relations*, 1935, vol. II, pp. 739 ff. For text of the agreement with Sweden, signed on May 25, 1935, see Executive Agreement Series No. 79, or 49 Stat. 3755.

harmonize the trade agreement program with the requirements of law and necessary domestic policies and constitute desirable safeguards against certain contingencies which it is hoped will not arise.

The Minister stated that he would inform his Government immediately by cable of our attitude with respect to the optional termination provisions.

L. M. HARRISON

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611.60d31/134

*Memorandum by the Secretary of State*

[WASHINGTON,] March 30, 1936.

During the call of the Minister of Finland, I said a few words to him about the pending trade agreement between our two governments, to the effect that our government is going as far as it can possibly go with political safety; that otherwise there would be no delay or hesitation as to broader and more permanent steps; that this Government contemplates carrying forward its pending trade agreement program and, if at all possible, prevailing upon other countries to lend a similar program their support, until the normal volume of international trade has been restored; and that it is most desirable to have Finland with us in this fight.

The Minister indicated his entire agreement with these views, which he said he had not before fully grasped. He stated that if he did not hear from his Government by tomorrow morning, he would send a telegram giving these views and earnestly urging agreement on the remaining trade agreement provisions.

C[ORDELL] H[ULL]

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611.60d31/135

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*

[WASHINGTON,] April 1, 1936.

Conversation: The Minister of Finland, Mr. Eero Järnefelt;  
The Secretary of the Finnish Legation,  
Dr. Sigurd von Numers;  
Mr. Robert F. Kelley.

The Finnish Minister read a telegram which he had just received from the Foreign Office with regard to proposed Articles 6, 11, and 14.<sup>15</sup> the termination provisions of which had not been accepted by the

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<sup>15</sup> In the revised draft of March 24, 1936, articles VI, XI, and XIV had been renumbered VII, XIII, and XVI, respectively.

Finnish Government. The telegram stated that the Finnish Government is willing to accept the termination provisions contained in Articles 6 and 11 provided the United States consents to the omission of Article 14.

I told the Minister that I did not believe that we could agree to the omission of Article 14, but said that I would take the matter up at once with the competent officers in the Department.

ROBERT F. KELLEY

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611.60d31/137

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*

[Extract]

[WASHINGTON,] April 4, 1936.

Conversation: The Minister of Finland, Mr. Eero Järnefelt;  
The Secretary of the Finnish Legation,  
Dr. Sigurd von Numers;  
Mr. L. M. Harrison;  
Mr. Robert F. Kelley.

I informed the Finnish Minister that, while the Department had given careful consideration to the proposal of his Government with regard to the omission of Article XIV [XVI], it could not agree to the omission of that Article. I pointed out that this article had been included in the Trade Agreements concluded with Canada, Sweden, and all other European countries, and that I understood that it would be included in all Agreements concluded with European countries in the future. I explained that it did not appear in Trade Agreements concluded with Latin American countries because the commodities upon which tariff reductions were made in the case of those countries were mainly non-competing tropical products and the question of possible supply from a low-cost country did not arise. I emphasized that the provision in question was a standard one and could be considered as an essential condition of our Trade Agreement program. It was a necessary safeguard against contingencies which might well arise in the case of certain countries, but which it was believed would never arise in the case of Finland, in view of the nature of the commodities upon which tariff concessions were made in the Finnish Agreement. I pointed out the importance of having such a safeguard in our Trade Agreements from the point of view of meeting criticisms of our Trade Agreement policy. I also said that I hoped that the Minister would emphasize to his Government that it would not be possible for us to agree to any qualification of the Article in question through an exchange of notes or otherwise.



The Minister said that he would immediately advise his Government of our position in the matter and endeavor to present arguments which would bring about the acceptance of his Government of the Article under discussion.

ROBERT F. KELLEY

611.60d31/165½

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*

[WASHINGTON,] April 8, 1936.

The Finnish Minister called to say that he had received a telegram yesterday from his Government stating that it insisted on the omission of Article XIV [XVI] from the Trade Agreement under negotiation. The Minister said that his Government was opposed to this Article because the Article—and here the Minister read from the telegram—“is strictly against the principles of general commercial policy.” He said that the telegram also pointed out that this Article was considered unnecessary because there were so many other possibilities of terminating the Treaty.

I told the Minister that he was presenting the Department with a difficult problem, but that I would take the matter up at once with the competent officers and let him know as soon as possible whether we could agree to the omission of the Article or to its modification in some way which might be acceptable to the Finnish Government.

ROBERT F. KELLEY

611.60d31/168½

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*

[WASHINGTON,] April 10, 1936.

I called the Finnish Minister on the phone and told him that I had an Easter gift<sup>16</sup> for his Government. I said that we had decided to accept the proposal of his Government with regard to the omission of Article XVI. I stated that we had reexamined carefully all aspects of the matter and, despite the possibility of complications in connection with Trade Agreements already concluded or under negotiation, are willing, taking into consideration the nature of the products upon which concessions have been granted to Finland, to omit the Article

<sup>16</sup> Easter Sunday was April 12.

in question, in view of the objection to this Article on the part of the Finnish Government from the standpoint of principles of commercial policy.

The Minister seemed pleased and said that he would inform his Government immediately. He inquired whether we might have also decided to drop Articles VII and XIII. I told him that these Articles must remain, and that the only Article omitted would be No. XVI.

I renewed my request to the Minister to let me have as soon as possible the Finnish translation of the Agreement so that we could start checking it.

ROBERT F. KELLEY

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611.60d31/1724

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*

[WASHINGTON,] May 4, 1936.

I informed the Finnish Minister by phone that the Department had given careful consideration to the proposal of the Finnish Government<sup>17</sup> with regard to putting the Trade Agreement into force provisionally prior to its approval by the Finnish Diet, but considered that it would be preferable to have the Agreement come fully into force after approval by the Diet rather than to bring it partially into force prior to that time.

The Minister stated that he would inform his Government, and added that he had learned that the Diet would meet again at the beginning of September; consequently there would be a delay of only a few months in the bringing of the Trade Agreement into force.

ROBERT F. KELLEY

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[For text of the reciprocal trade agreement between the United States and Finland signed on May 18, 1936, see Department of State Executive Agreement Series No. 97, or 50 Stat. 1436. A summary of the agreement and statement issued May 18, 1936, by the Secretary of State is printed in Department of State, *Press Releases*, May 23, 1936, pages 503-530. See *ibid.*, October 3, 1936, page 289, for text of letter dated October 3, 1936, from President Roosevelt to the Secretary of the Treasury, regarding the application of proclaimed duties to the products of third countries.]

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<sup>17</sup> Not printed. The Finnish proposal was made on April 23 in a conversation between the Minister of Finland and Mr. Kelley.

REPRESENTATIONS BY THE FINNISH GOVERNMENT IN SUPPORT OF  
CLAIMS AGAINST THE UNITED STATES ARISING FROM THE DETEN-  
TION OF FINNISH SHIPS IN AMERICAN HARBORS <sup>18</sup>

411.60d Finnish Vessels/164

*The Finnish Minister (Järnefelt) to the Secretary of State*

WASHINGTON, March 26, 1936.

EXCELLENCY: Referring to Your Excellency's note dated August 9, 1935,<sup>19</sup> by which you informed me that the United States Government would not recommend to the Congress that the Finnish shipowners should be given the right to have their claims examined before a disinterested court, I have the honor to inform Your Excellency that I have been instructed by my Government to state the following:

The standpoint set forth in Your Excellency's note is alien to the conception of justice, from time immemorial in force in Finland and adopted even by most countries. Finnish citizens as well as foreigners are entitled, according to the system of legal procedure actually in force in Finland, and have always been entitled, to sue without special permission the Finnish Government before a Finnish court in order to have their claims against the Government decided by a disinterested tribunal.

After having learned of the negative standpoint of the United States, the shipowners, deeply worried, have approached the Finnish Government anew, asking the Government to do all in its power in order that the shipowners might be awarded an equitable compensation or at least the right to have an impartial decision on this question which is for them economically highly fateful.

With regard to the above, my Government, which still is of the opinion that the Finnish shipowners cannot fairly be denied an opportunity to have their cases impartially decided, has instructed me to request that Your Excellency could see your way to give this question of compensation a renewed consideration.

Accept [etc.]

EERO JÄRNEFELT

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411.60d Finnish Vessels/165

*Memorandum by the Secretary of State*

[WASHINGTON,] March 30, 1936.

The Minister of Finland called at his own request and brought up the question of the shipping claims of Finnish nationals against this

<sup>18</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 206-210.

<sup>19</sup> *Ibid.*, p. 209.

Government growing out of the World War. I did not go into further discussion of their merits and demerits, but stated to him that we would be disposed to confer with him with the view of seeing whether our two governments could agree on some judicial tribunal of the United States before which these claims might be heard and by it determined. The Minister indicated his favorable attitude towards this course. I thereupon requested him to confer with Assistant Secretary Moore and the Legal Adviser, Mr. Hackworth, adding that I had indicated to them that in the event the Minister felt so disposed I would probably request him to confer with them. This step was accordingly taken by the Minister on leaving my office.

C[ORDELL] H[ULL]

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411.60d Finnish Vessels/170

*Memorandum by the Legal Adviser (Hackworth) to Mr. Jacob Metzger of the Office of the Legal Adviser*

[WASHINGTON,] April 6, 1936.

It has been decided to submit the Finnish ships claim to the Court of Claims with the right of appeal to the Supreme Court, and to ask Congress for the necessary authorization. The case is to be submitted on the basis of written pleadings and oral arguments without testimony of witnesses. The bill should provide that the court costs and costs of printing shall be borne by the losing party. I think that the bill should state that the submission of the case to the court shall not be regarded as an admission by the United States of any liability.

Will you try your hand at a draft of a bill and recommendations to Congress?

G[REEN] H. H[ACKWORTH]

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411.60d Finnish Vessels/175

*The Secretary of State to President Roosevelt*

WASHINGTON, June 4, 1936.

THE PRESIDENT: In the first six months of the calendar year 1918, that is, from January to June, 1918, thirteen Finnish sailing vessels entered ports of the United States. Nine of these vessels entered the port of New York and four of them entered the port of Boston. Eleven of the vessels had been chartered for outgoing cargoes before they arrived in the United States. Charters for two of the vessels were arranged after they arrived in the United States.

At the time the vessels entered our ports there were in operation certain war time regulations governing the exportation of commodities from the United States. After the vessels arrived approval of the charter-parties and licenses for the exportation of cargoes and ships' stores were sought by the agents of the vessels from the authorities of the United States. Approval of the charter-parties and licenses for cargoes and ships' stores were for a time withheld in some instances.

On July 7, 1922, the Legation of Finland in Washington presented to the Department of State a claim growing out of the alleged detention of one of the vessels.<sup>20</sup> On January 27, 1928, the Legation of Finland in Washington presented to the Department of State claims growing out of the alleged detention of twelve other vessels.<sup>21</sup> One of the vessels is said to have been detained 70 days, one 81 days, one 97 days, two 115 days each, one 117 days, one 118 days, one 127 days, one 130 days, one 140 days, one 143 days, one 144 days, and one 172 days.

Meanwhile, on June 20, 1923, J. F. Whitney and Company, Agents for the vessels, had presented to the United States Shipping Board Emergency Fleet Corporation a claim<sup>20</sup> in the principal amount of \$800,000 in which it was alleged that the Shipping Board had entered into an agreement about May 1, 1918, to charter twelve of the vessels. After due notice to all parties concerned a hearing was held by the Shipping Board and the claim was rejected on April 22, 1924.

The claims presented to the Department of State by the Legation of Finland in behalf of the owners of the thirteen vessels totaled \$765,754.56 without interest. However, interest on the amount of damages alleged with respect to each vessel at the rate of six percent per annum was claimed.

The Department of State has consistently disclaimed liability and rejected the claims presented by the Legation of Finland on behalf of the owners. The Minister of Finland has on a number of occasions requested that the claimants be permitted to sue in the Court of Claims. In order that the issues might be clearly defined and the evidence and argument set forth on both sides, an arrangement was made between the Department and the Legation whereby the attorneys for the Finnish claimants prepared a comprehensive statement of the claims which, together with the documentary evidence and written argument relied upon, was submitted to the Department by the Legation.<sup>22</sup> The Department, pursuant to the arrangement, prepared and delivered to the Legation an answer to the statement evidence and argument in which were set forth the views of the Department as to why it did not

<sup>20</sup> Not printed.

<sup>21</sup> *Foreign Relations*, 1932, vol. II, p. 186.

<sup>22</sup> See note of February 1, 1935, from the Finnish Minister, *ibid.*, 1935, vol. II, p. 206.

consider that the Government of the United States was liable.<sup>23</sup> The arrangement between the Department and the Legation pursuant to which the exchange of documents was effected contemplated that if, after the case in behalf of the Finnish owners had been presented a-new and had been answered by the Department, the Finnish Government still felt that the owners of the vessels should be permitted to sue in the Court of Claims the matter would be given further consideration.<sup>24</sup>

The Minister has recently renewed the request<sup>25</sup> that claimants be permitted to sue in the Court of Claims. In deference to the wishes of the Finnish Government the Department recently undertook to recommend that legislation be sought authorizing the owners of the vessels to present their claims to the Court of Claims and conferring upon the Court jurisdiction to decide specific questions raised by the claims on a basis of documents heretofore exchanged between the Department of State and the Legation of Finland. There is enclosed herewith draft of a bill<sup>26</sup> which if enacted into law would enable the Finnish owners to present their claims to the Court of Claims with the right of either side to appeal to the Supreme Court.

I recommend that, if you approve of the proposal that the Finnish owners be permitted to file their claims in the Court of Claims, you submit the matter to the Congress with a request that the necessary legislation in the form of the enclosed draft be enacted.

Respectfully submitted,

CORDELL HULL

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[Direct communication between the Department of State and the Finnish Legation on this subject hereafter ceased. On June 2, 1941, the Court of Claims gave an opinion against the Finnish owners of the *Albyn*, stating that "the plaintiff is not entitled to recover and the petition is dismissed." The plaintiff's motion for a new trial was overruled October 6, 1941 (94 Court of Claims 315). The plaintiff's petition for a writ of certiorari was denied by the Supreme Court March 9, 1942 (95 Court of Claims 775). Upon the authority of this case, the Court of Claims found on April 6, 1942, that the remaining Finnish vessels were not unlawfully detained and decided that the plaintiffs were not entitled to recover. Judgment was rendered against them for the cost of printing the records (96 Court of Claims 127).]

<sup>23</sup> See note of April 12, 1935, to the Finnish Minister, *Foreign Relations*, 1935, vol. II, p. 207.

<sup>24</sup> See note of July 6, 1935, to the Finnish Legation, *ibid.*, p. 208.

<sup>25</sup> See note of March 26 from the Finnish Minister, p. 81.

<sup>26</sup> Not printed. "An Act to confer jurisdiction on the Court of Claims to hear and determine certain claims against the United States on the part of owners of certain vessels" was approved on June 29, 1936; 49 Stat. 2368.

## FRANCE

### RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND FRANCE, SIGNED MAY 6, 1936; DISINCLINATION OF THE UNITED STATES TO DISCUSS ADDITIONAL TRADE CONCESSIONS<sup>1</sup>

611.5131/1338

*Memorandum by the Secretary of State*

[WASHINGTON,] January 21, 1936.

The French Ambassador<sup>2</sup> called on my invitation. I proceeded, after some preliminaries, to refer to the pending trade agreement negotiations between our two Governments. I first reemphasized what I had said many times, to the effect that I considered it extremely important to both countries alike and to the movement for trade restoration generally for this trade agreement to be agreed upon. I then elaborated at some length upon the list of offers made by this Government in the way of tariff reductions, tariff binding and generalizations of concessions to other countries. The Ambassador's attention was then called to the fact that in return the French Government seemingly had been unable to offer tariff reductions or to bind tariffs or even to agree permanently on quota revisions in our favor; that about all the French Government seemed able to offer was reduction in existing discriminations against this Government. I then commented upon these very great difficulties which had confronted this Government during recent weeks and even months in its efforts to find formulas that would to some degree accommodate the very restricted French proposals and thereby avoid such a lopsided trade arrangement as would probably be disastrous to our political situation in this country.

The Ambassador stated that he had said to me from the beginning that his Government was in a difficult position to proceed unusually far in negotiating an agreement; that it was simply obliged to proceed gradually; that we could take some step that would be a step at present and announce that this was only the first and that a second step would be taken during coming months.

I replied that, of course, it might be necessary for this Government to restrict substantially the offers it had contemplated heretofore, in

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<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1935, vol. II, pp. 211 ff.

<sup>2</sup> André de Laboulaye.

view of the inability of the French Government to enlarge its proposed concessions; and that this had been the chief cause of our slow progress during recent weeks and months, namely, the difficulty of working out a formula that would be on a parity with the almost unexpectedly narrow offer of the French Government. I added that we would do the very best possible in the way of developing a further suggestion within a very few days.

The Ambassador, upon leaving, said that he thought it would be very important, if consistent, for the State Department to let him see our proposal and examine it in order that he might, by certain explanations and representations, pave the way for its reception at Paris and, to an extent at least, facilitate the chances for the progress of the negotiations. I replied that I was sure my associates dealing immediately with the matter would oblige him in any way at all feasible and that I would request them to keep in touch with him in connection with his request.

HULL

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611.5131/1356

*Memorandum by the Secretary of State*

WASHINGTON, January 30, 1936.

The French Ambassador came in by appointment today to receive the proposals concerning our trade agreement with France. I handed him an initialed memorandum,<sup>3</sup> a note and four mimeographed sets of the proposals.<sup>4</sup> After I handed this trade agreement data to the Ambassador, I told him that in what I was about to say I was not going to refer to this proposed trade agreement situation, but that I did wish to repeat what I had said to an outstanding official of another important commercial nation in Europe to the effect that during recent years that country, in common with my own and most other nations of the world, had been floating along developing its domestic economy only and pursuing a bilateral trade policy externally based on bartering and bargaining and clearing arrangements, which drove trade into the bilateral channel and correspondingly destroyed triangular and multilateral trade, as well as reduced the sum total of world trade. I said that it seemed very agreeable to the people of his country to float along in this somewhat easy fashion, hugging the delusive domestic economy policy, but that a rude jolt proved to be just ahead, and that was that when they looked out on the world it was suddenly discovered that another nation had a million men under arms

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<sup>3</sup> *Infra.*

<sup>4</sup> Not printed.



and was in the act of a broad movement of conquest; that the country making this discovery was obliged at once to assemble its navy from every part of the world and proceed also to prepare an increased budget of from \$500,000,000 to \$1,000,000,000 for increased armaments, and that the end was not yet in sight. I then added that there was only one possible alternative to further uprisings and movements of conquest and that was to put unemployed and indigent people to work; that the only way to put them to work was to make it possible for their production to be sold; that this could only be brought about by a broad movement in support of a suitable economic program to restore from \$15,000,000,000 to \$25,000,000,000 of lost trade between nations that was and again would be mutually profitable, and thereby restore employment to tens of millions of persons who, in their economic distress, were ready to enthrone dictators, and in turn, to obey their orders.

I went on to say that it was inconceivable that a country like Italy, most of whose population were comparatively fresh from the most horrible war experiences in all history, could be induced over night by a dictator to change its entire state of mind and become one hundred percent warlike and war-disposed. I again sought to impress the view that if important commercial and peace-loving nations waited too long about financial and economic restoration, another powerful nation might begin its military march before suitable steps to restore trade and employment should have been taken.

The Ambassador seemed in thorough agreement and added that his statesmen likewise had entertained similar views as to the soundness, et cetera, of trade and industrial restoration. I replied that it was not enough merely to entertain these views and float along and wait for some other nation to take the initiative or another or group of nations to perform this huge task, but that it was all important that statesmen everywhere proceed to speak out and to insist on a prompt cooperative movement for the purposes aforesaid.

CORDELL HULL

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611.5131/1350a

*The Department of State to the French Embassy*

AIDE-MÉMOIRE

The Government of the United States has studied with great care the proposals of the French Government received on November 16<sup>a</sup> and November 29 [19], 1935.<sup>b</sup> It has also taken this opportunity to

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<sup>a</sup> See telegram No. 966, November 16, 1935, 2 p. m., from the Ambassador in France, *Foreign Relations*, 1935, vol. II, p. 235.

<sup>b</sup> Not printed.

review comprehensively the whole position of the negotiations which have now been in progress for several months. In view of the importance of concluding the negotiations at the earliest possible date, the Government of the United States believes it to be highly desirable that each Government should now indicate its position with respect to the various matters under discussion in the light of the exchanges of views that have taken place between the two Governments. For its own part, and in order to facilitate the process of negotiation, the Government of the United States has the honor to submit herewith an annotated statement<sup>7</sup> of the mutual concessions and assurances which, in its opinion, should be embodied in the proposed Agreement, together with detailed comments thereon.

An examination of the statement attached to this *Aide-Mémoire* will readily reveal the fact that the Government of the United States has gone far toward meeting and in some respects has fully met the desires expressed by the French Government. This is especially true of (1) reductions of customs duties on the four principal articles exported by France to the United States, the importance of duty concessions on which has been particularly stressed by the French Government and with respect to which the Government of the United States has hitherto found it difficult to meet very closely the viewpoint of the French Government; and (2) deviation, in several important respects, from established policy of the United States, in order to meet the exceptional difficulties confronting the French Government at the present time in the field of commercial policy.

The French Government will undoubtedly appreciate the fact that in effecting drastic reductions in the customs duties imposed at the present time on the articles mentioned above and in agreeing to important deviations from its established policy, the Government of the United States would make far-reaching concessions. This Government is confident, therefore, that the French Government will equally appreciate the fact that these concessions can be made only if this Government's own requests are satisfactorily met by the French Government.

The specific points on which differences of view still exist between the two Governments are examined in detail in the statement attached to this *Aide-Mémoire*. The general principles involved may be summarized as follows:

As an exceptional measure, the Government of the United States is prepared to modify its established policy in three important respects in order to meet the French viewpoint. In the first place, while consolidation of concessions granted under trade agreements during the life of such agreements is one of the major principles of

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<sup>7</sup> Not printed.

the trade agreements program of this Government, nevertheless, because of the difficulties of the French Government in this regard, the Government of the United States is prepared with respect to tariff duties to suspend the application of this principle in the case of the Agreement with France. In the second place, with respect to quota treatment, this Government is restricting its requests very largely to protective provisions. In the third place, this Government is prepared, notwithstanding that its established policy contemplates the reciprocal granting of unrestricted and unconditional most-favored-nation treatment, to agree to a list of products to which the most-favored-nation clause will not apply.

But while this Government is prepared to deviate materially from its own established policy in order to meet the French viewpoint in these important respects, and thus to afford the French Government extreme liberty of action, it cannot dispense with at least a minimum measure of safeguard, especially since for its own part it does not reserve a similar liberty of action. The Government of the United States is fully appreciative of the fact that, in the present exceptional circumstances, the French Government finds it necessary, in the event that unforeseen circumstances should require such action, to be in a position to increase customs tariff rates on some products which are of special interest to the United States. But it feels that such unilateral revision of trade concessions and treatment must at least be made subject to (1) automatic termination of the Agreement in the event that changes in French treatment of certain important American exports to France should, in the opinion of the Government of the United States, tend to nullify the advantages of the Agreement to the United States; (2) minimum advance notice to the Government of the United States regarding proposed revisions in order to facilitate adjustments that would remove jeopardy to the entire agreement; and (3) provision that revisions should not be made at frequent intervals in order that trade should enjoy at least minimum periods of certainty as regards tariff rates.

While the Government of the United States is anxious to take into full account the position in which the French Government finds itself, it must request similar consideration of its position on the part of France. In the opinion of this Government, the safeguards above indicated would detract but little from the essential freedom of action which the French Government wishes to reserve. On the other hand, their omission from the proposed Agreement would place American commerce in France in so precarious a position as to render it extremely difficult for this Government to justify the drastic reductions in important duty rates applying to imports from France which are requested by the French Government. Moreover, omission of such

safeguards would render it impossible to reconcile the Agreement with the policy adopted by this Government and embodied in all of the trade agreements already concluded by the United States. Such omission would render difficult, if not impossible, continued application of this policy to future agreements. It would, therefore, jeopardize vital commercial interests of the United States in other countries as well as in France.

As regards the list of products to which the most-favored-nation clause will not apply, the Government of the United States feels that such a list inscribed in the Agreement under negotiation should not differ substantially in character from similar lists of exceptions inscribed in such commercial treaties as those concluded by France with the United Kingdom and Switzerland.

In presenting this *Aide-Mémoire*, the Government of the United States takes full account of the exchanges of views which have taken place between the two Governments, and is now making every effort not only to extend to the maximum the concessions it is prepared to accord French trade, but to limit the concessions which it seeks from the French Government to a bare minimum compatible with the far-reaching advantages that would accrue to France as a result of the proposed Agreement.

The French Government has expressed to the Government of the United States its sincere desire to enter into a trade agreement with the United States. This Government, animated by precisely the same desire, is convinced that an Agreement embodying the mutual concessions and assurances set forth in the statement attached to this *Aide-Mémoire* represents a mutually advantageous arrangement, which will be of great benefit to the trade of both countries and of the world at large. It hopes sincerely that the French Government will give favorable consideration to this proposal.

WASHINGTON, January 30, 1936.

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611.5131/1437c : Telegram

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

WASHINGTON, March 31, 1936—6 p.m.

108. For your information only. The French Ambassador called yesterday and I told him that we could not accept a one-sided trade agreement as the entire trade agreements program would be discredited if any one of the agreements should be taken off the solid basis of equality. I emphasized that the big objective was to continue to advance this broad program for international business recovery. I concluded by saying I felt that the French Government had not been

as mindful of these broad objectives as it should and that it should assume a more liberal attitude with respect to binding quotas and to granting requested concessions in view of these objectives and of the substantial concessions we are prepared to make.

HULL

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600.0031 World Program/15

*Memorandum by the Counselor of Embassy in France (Wilson)* <sup>8</sup>

PARIS, April 2, 1936.

I sat next to Mr. Bonnet, Minister of Commerce, at the luncheon of the American Club today. During our conversation I said that while in the State Department I had had an opportunity to become familiar with the trade policies being pursued by our Government, particularly in connection with the negotiation of various trade agreements with the Latin American countries. I spoke of the policy of our Government in taking a broad forward looking view of trade between countries, foregoing possibilities of immediate, narrow, exclusive advantages, such as we might have seized in our arrangements with Brazil <sup>9</sup> and Colombia,<sup>10</sup> in order to follow liberal principles which, if supported by other important countries would have the result of gradually eliminating trade barriers and increasing the total flow of world trade to the long term advantage of each and every country. I said that I would be very much interested in hearing his views on the policy which we were seeking to pursue.

Mr. Bonnet said that he was heartily in favor of this liberal policy and in fact believed it was the only way to the economic salvation of the world, as otherwise economic nationalism would ruin all countries. He likened the pursuit of economic nationalism to the drug taking habit, that is, when an individual takes drugs he feels better for the moment but on each successive occasion he must increase the size of the dose in order to have any effect and the ultimate result is complete breakdown.

Of course, said Mr. Bonnet, there are tremendous obstacles in the way of any liberalizing of trade policies. The war resulted in creating new industries in every country and the mass of restrictive measures set up after the war had protected these industries; the effects of the world depression accentuated the natural human desires of manufacturing and commercial interests in every country to hold such

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<sup>8</sup> Transmitted to the Department by the Ambassador in France in his despatch No. 2658, April 2; received April 15.

<sup>9</sup> Signed February 2, 1935; see *Foreign Relations*, 1935, vol. iv, pp. 300 ff.

<sup>10</sup> Signed September 13, 1935; see *ibid.*, pp. 430 ff.

special position and advantage as they might have obtained. While he had been Minister of Commerce the French Government had negotiated in the last year several commercial agreements which he hoped might have some effect in providing for a freer flow of trade. However, he had been obliged to fight against the opposition of domestic interests at every turn when he had attempted to give any concession to foreign countries.

In speaking of the present European political situation, Mr. Bonnet agreed that narrow policies resulting in the shrinkage of world trade, accentuating the serious economic difficulties in various countries, had in a large measure contributed in bringing about conditions in which dictatorial regimes flourished and in which general discontent of the people made it possible to embark on military adventures. He repeated his faith in the liberal policy as opposed to the narrow policy of immediate advantage, but said that he feared it would be a long pull before very much of a tangible nature in this direction could be accomplished in the major countries of the world.

EDWIN C. WILSON

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611.5131/1487

*Memorandum by the Under Secretary of State (Phillips)*

WASHINGTON, April 30, 1936.

The French Ambassador called this afternoon to inform me, so he said, of the "good news" which he had received from his Government with respect to the trade agreement. His Government had accepted substantially all of the concessions requested by the United States; one point relating to apples and pears would be decided at a special meeting of the Cabinet to be held tomorrow morning at 10 o'clock and, therefore, by two or three in the afternoon he was hopeful of receiving a telegram with regard to this point. Furthermore, the Government was very anxious to sign the agreement on Saturday or Sunday at the latest,—and this for "political" reasons. At this point I questioned the Ambassador as to what he meant by political reasons, as if the agreement were signed on Saturday or Sunday I could not see that it would have any political repercussions on the Sunday's elections. The Ambassador replied that it was not a question of affecting the elections, but merely that there would be an interim government after Sunday which would not have sufficient power to put through the agreement without parliamentary approval. The present government, therefore, while continuing in power might not feel able to approve such an important matter as the trade agreement.

We discussed at some length our view, which was to sign next week; we felt that it would be unfortunate to have a gap between the date of

signing and the date of giving publicity to the agreement; should the signing take place on Saturday, it would take, I said, a week before we should be ready with our prepared publicity and, in the circumstances, therefore, it would be absolutely essential for both governments to refrain from any leakage with respect to any part of the agreement. The Ambassador readily agreed that it would be better to limit any statement which would be made after the signing on Saturday to a mere statement of the fact of signature; he suggested that we prepare some such statement and let him telegraph it to Paris this afternoon for the approval or suggestions of his Government; the statement should, of course, be issued simultaneously in Paris and Washington.

I said that I appreciated the situation in which the French Government found itself and that we would proceed on the theory that we would sign on Saturday<sup>11</sup> and I promised to send him up this afternoon the suggestion that he asked for.

WILLIAM PHILLIPS

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[For text of reciprocal trade agreement between the United States and France, signed at Washington, May 6, 1936, and related notes, see Department of State Executive Agreement Series No. 146, or 53 Stat. 2236. For press releases regarding the trade agreement, see Department of State, *Press Releases*, May 9, 1936, page 428; May 16, 1936, pages 448-484; May 23, 1936, pages 501-503.]

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611.5131/1644

*Memorandum by the Assistant Chief of the Division of Western European Affairs (Culbertson)*

[WASHINGTON,] October 27, 1936.

Yesterday afternoon I asked several men from this Department, the Departments of Commerce and Agriculture, and the Tariff Commission, to come in for the purpose of discussing what steps might be taken at this time with a view to analyzing the effect of French devaluation<sup>12</sup> on Franco-American commerce covering both American exports to France and French imports into the United States. I told them of the two telegrams which had been received by the Department of Commerce from the Acting Commercial Attaché with regard to the latter's conversation with Spinasse, French Minister of National Economy, in

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<sup>11</sup> On May 1, the French Ambassador telephoned to the Under Secretary that the French Government had consented to the delay requested by the Department of State (651.5131/1490).

<sup>12</sup> Under the tripartite stabilization agreement of September 25, 1936; see vol. I, pp. 535 ff.

which the Minister had asked for an informal list of American exports to France to which the French Government could give consideration for possible immediate action as practical proof of the French Government's intention to carry out a liberalization of its program.

Although the discussion covered a wide range of angles to the problem, it was the consensus of the whole group that it would not be possible at this time and probably not for several months to determine with any accuracy what effect devaluation will have upon American exports to France, or imports from France; and that any recommendations or proposals which could be drawn at this time might be completely inaccurate in the light of information which will be available some months hence. Everyone felt that it would be a mistake to make any *démarche* with the French at this time, irrespective of how informal it might be. Commerce and Tariff Commission will, however, follow the situation very closely during the course of the next few months, in order that they may be in a position to furnish accurate information with regard to the actual trend.

The American Consul General at Paris has estimated that French production, by virtue of currency devaluation, gained a competitive margin in France of about 30 percent. This margin has, however, in many instances, been reduced by about half as a result of the operation of French social legislation which increased wages and other charges on French industry.

The Consul General also calls attention to the fact that France is largely dependent upon foreign sources for raw materials, which, of course, means that with higher costs for raw materials, domestic prices must necessarily rise fairly rapidly and thus a competitive position may be reestablished in a very short time.

P[AUL] T. C[ULBERTSON]

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611.5131/1646 : Telegram

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

PARIS, October 30, 1936—10 p. m.

[Received October 31—1 p. m.]

1067. Rueff<sup>13</sup> called on me today and said that he had just come from a conference with Spinasse and Rist<sup>14</sup> at which they had decided that the French Government should attempt to reach an agreement with the Governments of the United States and Great Britain to

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<sup>13</sup> Jacques Rueff, assistant director of the general administration of funds, French Ministry of Finance.

<sup>14</sup> Dr. Charles Rist, President of the French Interministerial Commission for Customs Revision.



reduce quotas, embargoes and embargo tariffs on a most-favored-nation basis to all nations which did not maintain exchange restrictions while refusing to extend most-favored-nation treatment to nations which maintain exchange restrictions. He stated that this proposal had not yet been adopted officially by the French Government but expressed belief that the French Government would adopt it.

I mentioned to him the fact that Labonne, who is now in charge of economic matters in the Quai d'Orsay, had said to me that he believed the French Government would not do much in the way of further reductions of barriers to international trade; that on the contrary he believed French policy in the future would be to develop the resources of the French Empire within high tariff walls.

Rueff said that the policy that Labonne had described was that of the Ministry of the Colonies but he believed emphatically the French Government finally would attempt to work with us and the British for a general reduction of restrictions to international trade.

He said however, that he, Spinasse and Rist, all felt that it was necessary to organize now as soon as possible some concrete program to follow the monetary accord. He felt that for that reason most serious and general discussions between the French, British, and ourselves were desirable. He said that as the question would be one of inventing a general policy of the broadest scope he hoped that, if possible, Doctor Feis<sup>15</sup> might be able to make a casual visit to Paris and London in the course of the next 3 weeks.

Rueff said that he expected the position of the French Government to be defined within 2 weeks and promised to inform me as soon as anything definite had been decided. Rueff incidentally informed me that he had declined positively to take the post of Director of Commercial Accords which had been offered him as reported in my telegram No. 991, October 12, 6 p. m.<sup>16</sup>

I should of course be delighted personally as well as officially to have Doctor Feis in Paris at any time.

BULLITT

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611.5131/1646 : Telegram

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

WASHINGTON, November 3, 1936—3 p.m.

443. We are much interested in the French proposal to conduct informal conversations along the lines reported in your 1067 of Oc-

<sup>15</sup> Herbert Feis, Economic Adviser, Department of State.

<sup>16</sup> Not printed.

tober 30, 10 p. m. Action tending towards a general reduction of restrictions to international trade along the broad lines advocated by this Government would be most welcome. Before considering sending officials from here we would want to know something more concrete concerning the scope and purposes of the proposed conversations. Have the British been similarly approached and if so what was their attitude? Feis not available as already announced that he is sailing November 7th. with the American delegation to the Conference of American Republics at Buenos Aires.

HULL

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611.5131/1637 : Telegram

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

WASHINGTON, November 4, 1936—2 p. m.

444. Your 1016, October 17, 1 p.m.,<sup>17</sup> and 1033, October 22, 1 p. m.<sup>17a</sup> In order to keep this question in an entirely informal channel, will you, if you perceive no objection to such a procedure, please ask Reagan<sup>18</sup> to find occasion to call on Spinasse and, referring to Spinasse's conversation with him, to inform Spinasse that this Government appreciates the spirit animating his proposals and that this Government is gratified to see the French Government adopting measures and laying plans for the adoption of more measures designed to bring about a lowering of barriers to trade; that while studies are naturally being made of the effects of devaluation upon Franco-American commerce, it is now too early to give any estimate either with regard to particular items or with regard to the trade as a whole of the effect of that devaluation; and that this Government is following with interest the measures which the French Government has already taken and proposes to take looking to additional relief for American exports to France.

In the light of our studies here and in the light of the general economic and financial set up, I feel that it would be a mistake for us at least at this time to make any specific requests even in reply to the French inquiry with regard to additional relief which the French Government might extend to American commerce.

We are of course following the situation very carefully here and will continue to study the matter. In addition to Reagan's reports, Southard<sup>19</sup> has also submitted several very helpful reports, and I

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<sup>17</sup> Not printed.

<sup>17a</sup> Not found in Department files.

<sup>18</sup> Daniel J. Reagan, Assistant Commercial Attaché of the Embassy in France.

<sup>19</sup> Addison E. Southard, Consul General at Paris and Counselor of Embassy.

hope that the Embassy will continue to keep the Department fully and currently informed in order that we might, after a reasonable period has elapsed, evaluate with some accuracy the effects of devaluation upon our commerce.

HULL

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611.5131/1653 : Telegram

*The Acting Secretary of State to the Secretary of State*<sup>20</sup>

WASHINGTON, December 3, 1936—3 p.m.

63. With reference to Spinasse's conversations with Acting Commercial Attaché in Paris, Bullitt again reported on November 21<sup>21</sup> that the reductions in trade barriers contemplated by the French were limited to minor quota liberalizations, and that individual Ministries seemed to be waiting for requests from us for relief to specific commodities.

We replied to Bullitt yesterday<sup>22</sup> that if the French Government is really in earnest in its desire to abolish barriers to American trade it can easily put its finger on those restrictions which cause our trade its greatest difficulties. Inasmuch as it seemed that the French were trying to put us in a position of seeking favors which we would be called on sooner or later to reciprocate, we did not think it wise to come forward with requests to individual Ministries for modification in customs or other treatment affecting specific commodities. Moreover, we wish to avoid the charge of seeking benefits for particular American interests and not for others. We suggest however that Bullitt discuss with the French the broader issues intimating that they might abolish or reduce license taxes and reduce duties on quota items.

MOORE

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611.5131/1663 : Telegram

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

PARIS, December 10, 1936—6 p.m.

[Received December 10—4:06 p.m.]

1228. Reference Department's telegram No. 490, December 2, 2 [6] p.m.<sup>23</sup> The substance of this telegram was conveyed to the Director

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<sup>20</sup> The Secretary of State was attending the Inter-American Conference for the Maintenance of Peace, Buenos Aires, as Chairman of the U. S. delegation; see vol. v, pp. 3 ff.

<sup>21</sup> Embassy's telegram No. 1137, not printed.

<sup>22</sup> Department's telegram No. 490, December 2, 6 p.m., not printed.

<sup>23</sup> See *supra*.

of Commercial Affairs of the Foreign Office for his information it being explained how the matter arose.

The Foreign Office has now replied by an *aide-mémoire* taking up the various points contained in the Department's telegram. A copy of this *aide-mémoire* is being transmitted to the Department by pouch.<sup>25</sup> In the *aide-mémoire* the Foreign Office attempts to refute the position taken by the Department.

From the *aide-mémoire* and also from the conversation had by the Acting Commercial Attaché with the Director of Commercial Accords (Embassy's telegram 1221, December 9, 7 p.m.<sup>25</sup>) it is apparent that neither the Foreign Office nor Commercial Accords intends to take any steps on general lines looking towards relief in the present situation. With regard to specific items some relief might be obtained but only by granting a *quid pro quo*.

The Foreign Office has informed us that it has sent an instruction to the French Ambassador in Washington to inform the Department that certain quotas for 1936 [have?] not been entirely used and that the French Government is willing to grant during 1937 to us the unused portions of some of these quotas if we will grant them duty reductions on a specified list of French products. The Embassy has obtained a copy of this note and the Acting Commercial Attaché is making a comparative study of imports and quotas through October of the items offered by the French in order that the Department may be informed as to the importance or lack of importance of these offers.

BULLITT

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611.5131/1663 : Telegram

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

WASHINGTON, December 30, 1936—2 p. m.

557. Your 1228, December 10, 6 p. m. The French Ambassador called on Mr. Sayre this morning and stated that he had been instructed by his Government to propose an arrangement which would be outside the trade agreement and which would be consummated by an exchange of notes whereunder France would extend to the United States for the calendar year 1937 certain supplementary quotas in exchange for which France would ask for certain reduction in American tariffs.

Mr. Sayre replied by saying that even if we were inclined to take up additional bargaining at this time any new arrangement could only be arrived at in accordance with the provisions of the Trade

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<sup>25</sup> Not printed.

Agreements Act, which provides for public hearings and proclamation by the President. He further stated that we were not interested in discussing the possibilities of an additional agreement; that we are now studying the effects of French devaluation upon the agreement which was negotiated last spring; that we are under very considerable pressure from domestic manufacturers and from American exporters to give notice in accordance with the provisions of paragraph 4 of article 11 of the existing agreement,<sup>26</sup> that the statistics which we have so far gathered are not complete and therefore we are not in a position to determine just how the agreement is working; that should it be found that because of French devaluation American exports to France of the items covered in the trade agreement are substantially less than was anticipated when the agreement was signed, and if imports increase unduly we will find it very difficult to avoid taking action under the fourth paragraph of article XI: that in order for us to withstand pressure for termination it is up to the French Government to take such measures unilaterally as may be found necessary in order that American exporters are able to fill their quotas as bargained under the present agreement.

MOORE

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DISCUSSIONS CONCERNING TAX DIFFICULTIES BETWEEN THE UNITED STATES AND FRANCE WITH ESPECIAL REFERENCE TO FRENCH PROPOSAL FOR AN ADDENDUM TO THE DOUBLE TAXATION CONVENTION OF APRIL 27, 1932<sup>27</sup>

851.512 American Stock Exchange Brokers/9

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

No. 2339

PARIS, December 3, 1935.

[Received December 13.]

SIR: With reference to the Department's telegraphic instruction No. 469 November 23rd/2 [1] p.m.,<sup>28</sup> and the Embassy's telegraphic reply No. 989 November 25th/1 p.m.,<sup>28</sup> I have the honor to inform the Department that about two weeks ago Count René de Chambrun, a member of the Paris bar, as well as of the bar of New York State, called upon me, stating that certain members of the New York Stock Exchange had retained him to contest a suit that had been brought by the French fiscal authorities in a test case against the firm of Saint-Phalle & Cie., to enforce the collection of a French stock exchange

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<sup>26</sup> Executive Agreement Series No. 146, p. 17.

<sup>27</sup> For previous correspondence relating to French proposal for an agreement supplementing the taxation convention of 1932, see *Foreign Relations*, 1935, vol. II, pp. 247 ff.; for text of convention, see *ibid.*, 1932, vol. II, p. 268.

<sup>28</sup> Not printed.

transfer tax upon purchases and sales of securities, dealt in on the New York Stock Exchange, for the account of persons resident in France.

I told Mr. de Chambrun that I had no instructions in the matter but would be willing to submit a memorandum, which he told me was in the course of preparation. This memorandum reached me yesterday and I beg to enclose two originals of it,<sup>29</sup> one in French, the other in English, both signed by Mr. de Chambrun and his associate, Mr. Gide, a copy of each being kept here in the files of the Chancery.

In the meantime, I understand representations have been made to the State Department by representatives of the seventeen American firms said to be doing business in France and having branch offices here.

Awaiting instructions from the Department I shall take no further steps.

Respectfully yours,

JESSE ISIDOR STRAUS

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851.512 American Stock Exchange Brokers/12 : Telegram

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

WASHINGTON, December 21, 1935—2 p.m.

502. Reference your despatch 2339, December 3, and enclosures.<sup>30</sup> You are requested to use your good offices and discuss this matter orally with the appropriate French officials, leaving a memorandum which points out in substance

(1) That it is understood that the one per thousand tax imposed under the French laws of 1893 and 1898 on security transactions in France has heretofore been applied only to transactions executed in France and has not been extended to transactions executed in New York or on other foreign security markets.

(2) There exists in the United States, and in the State of New York in particular, a transfer tax similar to the French tax. When persons in the United States trade on the French Stock Exchange, the American tax authorities do not claim any transfer tax upon such transactions.

(3) The business of New York Stock Exchange houses in Paris has developed under the territorial applicability of the one per thousand tax. Substantial offices are maintained in France by New York Stock Exchange firms for the purpose of transmitting orders to be executed in New York. These offices expend substantial amounts in France for cables, payrolls, rent, miscellaneous expenses and French turnover commercial profits and license taxes. At this point you might

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<sup>29</sup> Not printed.

<sup>30</sup> Enclosures not printed.

add detailed information of expenditures as coming from New York stockbrokers in Paris. The imposition of the one per thousand tax would, in the opinion of the interested parties, make a continuation of operations in France prohibitive.

(4) The imposition of the one per thousand tax would create a double taxation problem which the treaty between the United States and France on double taxation was designed to avoid in matters relating to income of business enterprises. Inasmuch as the desirability of avoiding double taxation has been recognized by both countries, it is hoped that some way may be found by the French authorities to prevent another double taxation situation from arising. This is particularly pertinent in view of the fact that the laws in question have not heretofore been applied to extraterritorial transactions and that substantial enterprise has been built up under such interpretation.

Before approaching the Foreign Office you may in your discretion confer again with counsel for interested parties with a view to coordinating your representations with the facts and securing any further suggestions they may have to make. You may confine your good offices to oral representations should you consider this course best calculated to securing effective results.

CARR

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851.512 American Stock Exchange Brokers/14

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

No. 2440

PARIS, January 9, 1936.  
[Received January 20.]

SIR: I have the honor to report that upon the receipt of the Department's telegraphic instruction No. 502 of December 21, 2 p.m., 1935, the matter of the assessment of the French stock exchange transfer tax on transactions executed upon the New York Stock Exchange or other foreign markets was discussed with Count René de Chambrun and Maître Gide, attorneys for the American brokerage houses in France. They were of the opinion that the basis of representations sketched in the Department's telegram admirably furthers their own efforts in the same regard.

Thus assured of coordination I have addressed to the Minister for Foreign Affairs a note, dated January 7, 1936, following in substance the thesis of the Department's instruction. This note, together with a copy of the attorneys' memorandum (the text <sup>31</sup> of which was communicated to the Department with my despatch No. 2339 of December

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<sup>31</sup> Not printed.

3, 1935), was delivered today to the Ministry for Foreign Affairs. At the same time the importance of the subject was orally urged upon the Ministry. A copy of my representations<sup>32</sup> is enclosed for the completion of the Department's file.

Respectfully yours,

JESSE ISIDOR STRAUS

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811.512351 Double/303

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

No. 2629

PARIS, March 24, 1936.

[Received April 2.]

SIR: I have the honor to refer to the Department's instruction No. 1142 of December 19, 1935,<sup>33</sup> in response to the Embassy's despatch No. 2238 of October 14,<sup>34</sup> which conveyed the proposal of the French Government for the conclusion of an addendum to the Franco-American double taxation convention of April 27, 1932. The Department's reply indicated that the whole question of the taxation of income derived by aliens from sources within the United States was under consideration by the American Government and that in consequence it was thought that definite action with regard to the suggested addendum should not be entered into until the study of the general subject is completed. The Department nevertheless felt that in considering the proposed addendum it would be useful to be in possession of such information as the French authorities might be in a position to make available relative to any loss of revenue which might be suffered by the French Government as a result of its proposed undertaking not to impose a tax on income derived from sources in France by American citizens residing in the United States.

Information of the nature envisaged above having been requested of the French Government, there is now enclosed a copy and translation of a note from the Ministry for Foreign Affairs, dated March 12, 1936.<sup>32</sup> The note points out that it is impossible to furnish statistics concerning the loss of revenue to the French Government since income derived from French sources by American citizens not having residence in France is already exempt from the application of the general income tax. The note however includes a table showing the rates under the general income tax, the relative severity of which is apparently believed clearly to demonstrate the advantage afforded to American citizens by the present exemption.

The Department will clearly recall the great difficulty and long delay (over two years) which were experienced first in securing rati-

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<sup>32</sup> Not printed.

<sup>33</sup> *Foreign Relations*, 1935, vol. II, p. 253.

<sup>34</sup> *Ibid.*, p. 251.



fication and then promulgation of the convention. At one time M. Tardieu<sup>35</sup> hinted at deferring action until the old Article X<sup>36</sup> should have been reinserted, even though the engagement had been duly signed by both Governments and proclaimed by the United States. The old Article X, as is known, is similar to the formula which the French Government now proposes as an addendum. It may further be recalled that Parliament, in authorizing ratification, made a reservation (which however was not incorporated as a condition to ratification) whereby the Government of the United States should be approached with a view to obtaining certain further advantages for French interests. Moreover, it was not until M. Laval<sup>37</sup> personally intervened, that final approval of the convention was obtained.<sup>38</sup>

The above facts are recited to make manifest, on the one hand, that after the numerous difficulties encountered in securing the putting into effect of the convention, the United States has no moral obligation to hasten to afford further taxation benefits to France. On the other hand the convention is here regarded as largely of unilateral advantage and hence is unpopular both with Parliament and the fisc. Bearing in mind this unpopularity and the circumstance that numerous provisions of the agreement are susceptible of more than one interpretation, there is reason to apprehend that the interpretation of the convention by the French authorities will not be as liberal in all cases as it might be. In consequence, in studying the merits of the French request for the negotiation of the addendum, and entirely aside from such merits, it may be well, purely from the standpoint of self-interest, likewise to give some consideration to the possibility of creating good will through sympathetic scrutiny of the French request, to the end that the French authorities may be encouraged to adopt a liberal attitude in the administration of the treaty. However, I strongly feel that no definitive action should be taken until the French Government shall have issued the regulatory circulars for the application of the convention, thus affording an opportunity for the Department to judge of the probable interpretation to be given the present provisions.

In this general connection, information has reached the Embassy to the effect that the Department has been approached by an American attorney with a view to amendment of the convention so as to delete the requirement for American companies making the declaration prescribed in Articles 6 and 10. The Embassy would be glad to be advised in the event that the opening of the convention to revision is seriously contemplated.

Respectfully yours,

JESSE ISIDOR STRAUS

<sup>35</sup> André Tardieu, member of the French Chamber of Deputies.

<sup>36</sup> For text of draft article, see *Foreign Relations*, 1930, vol. III, p. 34.

<sup>37</sup> Pierre Laval, French Minister for Foreign Affairs.

<sup>38</sup> See telegrams Nos. 260 and 264, March 28 and 29, 1935, from the Chargé in France, *Foreign Relations*, 1935, vol. II, pp. 247 and 248.

811.512351 Double/302

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

No. 1257

WASHINGTON, April 1, 1936.

SIR: The Department refers to its instruction No. 1142 of December 19, 1936 [1935],<sup>39</sup> relating to the desire of the French Government to conclude an addendum to the Double Taxation Convention of April 27, 1932, and encloses for your information a copy of a letter of March 23, 1936,<sup>40</sup> received from the Treasury Department, which is believed to be self-explanatory. The Department also encloses a copy of its reply<sup>41</sup> to that letter. You will recall that in the Department's instruction of December 19, it was stated "that it would be helpful in considering the proposed addendum to have information concerning any loss of revenue which might be suffered by the French Government as the result of its proposed undertaking not to impose taxes on the income derived from sources in France by American citizens residing in the United States". The Department presumes that the French authorities have not so far furnished you with this information.

The French authorities do not appear to be pressing very much the question of an addendum to the Convention and the Department will be interested in receiving an expression of your views as to whether the French Foreign Office is much concerned in this matter or whether it merely made the proposal to clear its position insofar as the Ministry of Finance was concerned.

Very truly yours,

For the Secretary of State:  
R. WALTON MOORE

811.512351 Double/308

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

No. 1299

WASHINGTON, May 1, 1936.

SIR: The Department has received your despatch No. 2673 of April 9, 1936,<sup>41a</sup> transmitting mimeographed copies of the French text of the instructions which the Direction générale de l'Enregistrement intends to issue for guidance in connection with the application of the Convention between the United States and France relative to double taxation,

<sup>39</sup> *Foreign Relations*, 1935, vol. II, p. 253.<sup>40</sup> Not printed; the Acting Secretary of the Treasury stated that, in view of the effect which legislation pending in Congress might have on the issue of taxation of non-resident aliens, the Treasury Department "is unable, at this time, to reach a decision with respect to the advisability of entering the proposed addendum to the Double Taxation Convention. . . ."<sup>41</sup> Not printed; the Secretary of State requested that, if necessary, the Treasury representatives who were participating in discussions for the new legislation should "take steps to safeguard the treaty."<sup>41a</sup> Not printed.

as well as an unofficial translation of these instructions. In view of your statement concerning the English translation of the regulations prepared in your Embassy, the translation has been revised in the Department and a copy thereof is enclosed <sup>42</sup> herewith as of possible interest.

The Department has sent copies of the regulations both in the French and English texts to numerous firms and individuals <sup>43</sup> who have indicated their interest in the matter. As of possible interest you are informed that the proposed Revenue Bill of 1936,<sup>44</sup> which is at present being considered by the Congress, contains a section safeguarding the provisions of the Double Taxation Convention between the United States and France. Section 22*b* 7 of the Bill reads as follows:

“Exclusion From Gross Income—The following items shall not be included in gross income and shall be exempt from taxation under this title:

“(7) Income of any kind to the extent required by any treaty obligation of the United States.”

There is also appended herewith as of possible interest that part of the report of the Ways and Means Committee of the House (74th Congress, 2d Session, House of Representatives Report No. 2475) relating to those portions of the Bill concerning non-resident aliens and foreign corporations.

“It has also been necessary to recommend substantial changes in our present system of taxing nonresident aliens and foreign corporations. It appears obvious that an undistributed profits tax is not well adapted to taxing a foreign corporation with foreign shareholders in respect to its income from sources within the United States. In section 211, it is proposed that the tax on a nonresident alien not engaged in a trade or business in the United States and not having an office or place of business therein, shall be at the rate of 10 percent on his gross income from interest, dividends, rents, wages, and salaries and other fixed and determinable income. This tax (in the usual case) is collected at the source by withholding as provided for in section 143. Such a nonresident will not be subject to the tax on capital gains, including gains from hedging transactions, as at present, it having been found impossible to effectually collect this latter tax. It is believed that this exemption from tax will result in additional revenue from the transfer taxes and from the income tax in the case of persons carrying on the brokerage business. In the case of a nonresident alien engaged in trade or business in the United States, or having an office or place of business therein, the same tax is levied on his net income from sources within the United States as is levied on an American citizen, except for the disallowance of certain personal exemptions and credits for dependents.

<sup>42</sup> Not printed.

<sup>43</sup> A copy was also transmitted to the Secretary of the Treasury.

<sup>44</sup> Approved June 22, 1936; 49 Stat. 1648.

“In the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein, it is proposed to levy a tax at a flat rate of 22½ percent on the net income of such corporation derived from sources within the United States. The dividends of such foreign corporations are not taxable to the foreign shareholder unless 75 percent or more of its gross income is from sources within the United States, in which case they are taxable to the foreign shareholder to the extent that the dividends represent American income. In the case of a foreign corporation not engaged in trade or business within the United States and not having an office or place of business therein, it is proposed to levy a flat rate of tax of 15 percent on the gross income of such corporation from interest, dividends, rents, salaries, wages, and other fixed and determinable income (not including capital gains). This tax is to be collected in the usual case by withholding at the source. A special provision is made in the case of foreign banks carrying on the banking business in the United States whereby they will pay a tax of 15 percent on their net income from the banking business and 22½ percent on their net income from other sources within the United States. In addition to the above provisions, nonresident alien individuals are given a credit of \$1,000 against income attributable to compensation for personal services. It is also provided that income of any kind shall be excluded from gross income to the extent required by any treaty obligation of the United States.

“It is believed that the proposed revision of our system of taxing nonresident aliens and foreign corporations will be productive of substantial amounts of additional revenue, since it replaces a theoretical system impractical of administration in a great number of cases.”

Very truly yours,

For the Secretary of State:  
WILLIAM PHILLIPS

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811.512351 Double/287: Telegram

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

WASHINGTON, May 8, 1936— 5 p.m.

141. In your cable No. 48, January 20, 1936,<sup>45</sup> you stated Embassy had been informed that no set form for declaration by American corporations would be established but that issuance regulations better be awaited. Regulations are long and complex and have reached American corporations in United States 4 months after coming into force of convention. Less than 2 months are left for study by legal experts both here and in France before final date for declaration called for under Article 6 of convention. Will Hays,<sup>46</sup> on behalf of motion picture industry, has asked that Department seek to obtain agreement of French Government to a 3 months extension of the time

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<sup>45</sup> Not printed.

<sup>46</sup> President, Motion Picture Producers and Distributors of America.

allowed for the filing of declaration, making September 30 rather than June 30 the final date.

Unless you perceive serious objection to such course please bring foregoing general considerations to the attention of Minister of Foreign Affairs and ask that the time limit of 6 months within which American corporations could declare their wish to be placed under the regime of the convention be extended by 3 months, making September 30 rather than June 30 the final date. This agreement should be effected by formal exchange of notes supplemented presumably by a Ministerial decree.

Matter is of great importance to numerous American interests involved, and I am sure French authorities will appreciate equity of request in view of delay in issuance of regulations, a study of which is essential for determination whether corporations should place themselves under regime of convention.

HULL

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811.512351 Double/324 : Telegram

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

PARIS, May 11, 1936—8 p.m.

[Received May 11—4:19 p.m.]

392. Reference Department's telegram No. 141, May 8, 5 p.m., 1936. Pertinent official of Foreign Office has orally expressed willingness to take up with Ministry of Finance the question of the 3 months' extension of the period for filing declarations provided for in double tax convention if the Embassy will make the request in writing. Accordingly, a note in the matter is being submitted.

STRAUS

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851.512 American Stock Exchange Brokers/15

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

No. 2758

PARIS, May 14, 1936.

[Received May 25.]

SIR: Referring to the Department's telegraphic instruction No. 502 of December 21, 2 p. m., 1935, regarding the assessment of the French stock exchange transfer tax on transactions executed upon the New York Stock Exchange, and to the Embassy's note No. 1663 addressed on January 7, 1936, to the Ministry for Foreign Affairs, a copy "of

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"Not printed.

which was transmitted under cover of my despatch No. 2440 of January 9, I have the honor to state that a response has now been received from the French Government to the aforesaid note. The Ministry for Foreign Affairs' reply, dated May 11, is enclosed in copy and translation.

The Ministry's note was today shown to Comte René de Chambrun, one of the attorneys for American brokerage houses in Paris. M. de Chambrun asserts that it is true, as alleged in the communication, that French professionals have as a general rule paid the tax on transactions effected abroad but that it is not quite fair to attempt to assimilate American brokers in Paris to the French houses in that the French firms deliver to their clients receipts for the orders executed on their behalf, whereas the American broker acts merely as a transmitting agent and the receipts are sent direct to the client by the brokerage house in the United States rather than by the broker in Paris.

Despite the fact that the French Government has not acceded to the American representations M. de Chambrun expresses himself as somewhat encouraged at the nature of the Ministry's note in that it does not entirely close the door to our request. He invites particular attention to the circumstances that the French authorities have only affirmed their inability to give favorable consideration to the matter "from a purely fiscal standpoint". He believes that the use of this phrase denotes a hesitancy in risking the possible driving out of American brokerage firms. In particular he feels that the reply affords recourse to two alternative methods of adjustment of the difficulty, the first being the possibility that the Government of the United States may be disposed to enter into negotiations with the French Government, prepared to offer some slight reciprocal favor in tax matters as suggested in the last paragraphs of the French note, or second, that failing an agreement between the respective Governments, the American brokers themselves may decide to compromise by indicating their willingness to give some type of satisfaction to the French fisc through the payment of an appropriate form of tax.

As to the statement that the subject is now before the French courts, it appears that the test case, that of the Enregistrement against Saint-Phalle, is still pending before the Tribunal Civil de la Seine. The attorneys for Saint-Phalle have recently secured a three months' adjournment of the case and M. de Chambrun remarks that the attorneys have no desire to press the matter, it being to the advantage of their client to secure delay since the fiscal authorities have given them to understand that in no case will an attempt be made to collect the tax for a period prior to the handing down of the Court's decision.

While the Embassy has furnished above the initial reaction of M. de Chambrun to the French note, he desires to consult his associate, Maître Gide, and thereafter to submit a more studied opinion which will, when received by the Embassy, be duly transmitted to the Department. The Department may care to instruct me relative to the Ministry for Foreign Affairs' request to be informed whether, in the opinion of the American Government, there is any ground for undertaking negotiations in the realm of one or another of the tax problems outlined in the closing portion of the note.

Respectfully yours,

JESSE ISIDOR STRAUS

[Enclosure—Translation]

*The French Ministry for Foreign Affairs to the American Embassy*  
File Y i 19

PARIS, May 11, 1936.

By a note of January 7 last,<sup>48</sup> the Embassy of the United States in Paris addressed to the Ministry for Foreign Affairs a note regarding the application of the stock exchange transfer tax to the transactions in securities executed on the New York market through the intermediary of the Paris representatives of American stock brokers.

The remarks formulated by the Embassy may be summed up as follows:

1—Until 1929, the tax in question has not been called for in the case of transactions executed in New York or on other foreign security markets;

2—The American transfer tax has never been assessed on transactions effected on the Paris Bourse by persons residing in the United States;

3—On the premise that the French tax is applicable only to transactions on French territory, numerous American houses opened up at great expense offices for the transmission of orders to New York and have spent large sums in taxes and salaries. The claims made against them for tax payment threaten to result in the closing up of their offices.

4—These claims give rise once more to the problem of double taxation at the very moment when, as a result of the entry into force<sup>49</sup> of the Convention of April 27, 1932, the American and French Governments have evidenced their desire to put an end to the problem.

In conclusion, the Embassy requests that the situation of the American houses be reexamined and it expresses the desire that these firms

<sup>48</sup> Not printed; see telegram No. 502, December 21, 1935, 2 p. m., to the Ambassador in France, p. 100.

<sup>49</sup> January 1, 1936; for correspondence relating to a French suggestion that the convention come into force at an earlier date, see *Foreign Relations*, 1935, vol. II, pp. 249-251.

shall be not threatened with a tax on transactions effected outside French territory.

In reply to this communication, the Ministry for Foreign Affairs has the honor to state that the question raised by the Embassy has been given all due consideration by the competent French services, but that the thorough examination which has been made does not enable the Ministry to consider with favor, from a purely fiscal standpoint, the solution proposed by the Embassy.

Contrary to the Embassy's belief, the claims in question do not arise from a new interpretation of the law of April 28, 1893, which created the stock exchange transfer tax. As soon as this law came into effect, the French Administration took the stand (Rapp. Instr. de l'Enregistrement No. 2848 of November 23, 1893) that buying and selling operations on a foreign exchange are subject to the tax just as are those effected on a French exchange.

Like any administrative solution, this interpretation may, of course, be open to discussion from a legal standpoint, but the fact remains nevertheless that French professionals have, as a general rule, strictly complied with it and, in consequence, have accepted and paid the tax on transactions effected abroad in execution of orders received in France. At the present time, the sums paid into the Treasury from this source by French establishments are, in fact, very important.

Consequently, it does not seem possible to accept the Embassy's objections in so far as they tend to consider those operations as having never been recognized as taxable by the bureaus of the Ministry of Finance.

On the strictly fiscal basis and considering that French law establishes in fact no distinction between French professionals and American intermediaries, that, on the other hand, the tax claimed from the latter has been, and still is, collected from French intermediaries operating in the same manner, the French Administration does not see the possibility of demanding the abandonment of those claims. Moreover, the question has been carried into the judicial field and under the present legislative situation there is no recourse but to leave to the courts the task of finding the proper solution.

While it appears difficult for the French Government to give a satisfactory reply to the Embassy's request within the limitations of the existing fiscal system, it does not mean that it refuses to consider the problem from the international standpoint.

Undoubtedly, when they signed the Convention of April 27, 1932, the two Governments intended to settle the question of fiscal super-taxes only as concerns income taxes. Moreover, the Fiscal Committee of the League of Nations recommended the negotiation of international agreements only in the case of direct taxes. But nothing, in



the opinion of the French Government, prevents the conclusion of a Convention tending, either to suppress double taxation in the field of indirect taxes or to establish for the latter special methods of application.

Consequently, if the American Government is of the opinion that the interests involved justify the opening of negotiations on this subject, its request will be studied in Paris with the greatest desire to accord it satisfaction. It goes without saying, however, that in order to insure for such an agreement, should it be reached, the necessary reciprocity, the French Ministry of Finance reserves the right to request, in counterpart, certain concessions, notably in connection with the application to French citizens either of the principle of the income tax or the surtax, or of new measures regarding nonresident individuals or foreign corporations, measures at present under discussion before the American Congress.

The Ministry for Foreign Affairs requests the Embassy kindly to bring the above considerations to the knowledge of its Government and to state whether, in its opinion, negotiations might usefully be undertaken between Paris and Washington on the subject of indirect taxation.

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811.512351 Double/338

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

No. 2797

PARIS, May 29, 1936.  
[Received June 12.]

SIR: Referring to my despatch No. 2673 of April 9, 1936,<sup>50</sup> I have the honor to report that, in application of Article IX of the double taxation convention between the United States and France, a decree dated May 22 was drawn up and published in the *Journal Officiel* of May 25, 1936. This decree has the effect of exempting American corporations or citizens, under the conditions laid down in the Convention, from the tax on sums paid them for the use of patents, secret processes and formulas, trademarks, et cetera, from the tax on income from copyright royalties and from that on private pensions and life annuities.

The mechanism employed in legalizing this exemption is the "completion" of previous pertinent decrees by the addition of mention of the United States among the countries benefiting from exoneration as regards the taxes in question. Thus the present decree "completes" Article 3 of the decree of December 21, 1934 (published in the *Journal Officiel* of December 25, 1934) and Article 1 of the decree of April 27,

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<sup>50</sup> Not printed.

1935 (published in the *Journal Officiel* of May 2, 1935, entitled "Collection of the tax on wages and salaries, pensions and life annuities, and of the tax on non-commercial revenues due from taxpayers not domiciled in France nor having permanent professional installations there." The above-cited articles of decree provide that:

Sums, the payment of which enters into the competence of establishments owned outside of France by enterprises having their seat in France, notably life annuity dividends coming from agencies or branches operated outside of continental France by French life insurance enterprises, are not subject to the deduction at the source provided for by Article 1.

Likewise exempted from the deduction or collection at the source provided for in Articles 1 and 2 are: (here follows a citation of exceptions including those arising from agreements with Germany, Italy and Belgium.)

Respectfully yours,

JESSE ISIDOR STRAUS

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811.512351 Double/335 : Telegram

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

PARIS, June 4, 1936—2 p. m.

[Received June 4—9:08 a. m.]

456. Referring to the Embassy's telegram 451, June 3, 4 p. m.,<sup>52</sup> Foreign Office after further consultation with the Treasury confirms that it is impossible for reasons of a legal nature to extend the period for filing double tax convention declarations. We, therefore, renew the suggestion made in our 450, June 3, 1 p. m.,<sup>52</sup> that the Department may wish to make this information available without delay to the interested firms. We are taking steps to make this information available to American firms here.

STRAUS

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811.512351 Double/345

*The Chargé in France (Wilson) to the Secretary of State*

No. 3049

PARIS, September 4, 1936.

[Received September 15.]

SIR: I have the honor to refer to the Department's circular instruction of September 12, 1935,<sup>52</sup> concerning the question of reciprocal exemption from taxation of the official compensation received by consular officers and employees and other non-diplomatic officers and employees and to report that the portions of the American law quoted

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<sup>52</sup> Not printed.

in the above instruction were transmitted to the Foreign Office in a note dated September 30, 1935. In this note the Embassy requested to be informed whether the French Government was prepared to grant similar exemptions with respect to taxation on the compensation paid to American Government employees in France.

The Foreign Office on December 31, 1935, replied in a note which stated that it had been advised by the Ministry of Finance that all American diplomatic and consular agents in France, as well as American employees of the Embassy and Consulates, are exempted from all income tax on the compensation which they receive from their Government. With regard to other officers and employees of the American Government serving in France, the remuneration which they receive from their Government is exempted from the tax on wages and salaries by virtue of Article 7 of the Franco-American Double Taxation Convention. However, since the Protocol of the Convention in defining the taxes referred to in Article 7 indicates that the exemption applies in France to the "tax on wages and salaries, pensions and life annuities" but omits mention of the "general income tax", persons in this latter category would run the risk of having to pay the general income tax on the compensation received from their Government.

While from the tone of the Ministry's note it might be hoped that every effort would be made towards the exercise of leniency in the imposition of the general income tax, it would nevertheless technically apply to American officials here such as officers at the Ecole de Guerre, and those serving with the Battle Monuments Commission or the Public Health Service.

In view of this unsatisfactory situation, the Embassy took up the matter verbally with the Foreign Office which promised to endeavour to get the Ministry of Finance to include in the exemption from all income tax on compensation that received by all American Government employees in France.

The Foreign Office requested that pending a reply from the Ministry of Finance the above-mentioned note not be sent to Washington. For this reason it was not sent. However, in view of the present situation a copy and translation of this note are transmitted herewith.<sup>53</sup>

Under date of August 1, 1936, the Foreign Office addressed a note to the Embassy confirming its note of December 31, 1935, and pointing out that the Protocol of Signature to the Franco-American Double Taxation Convention lists certain definite taxes which are covered by Articles 7, 8 and 9 of the Convention, which list does not include the general income tax.

The Foreign Office likewise points out that during the course of the negotiations of the Double Taxation Convention the American

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<sup>53</sup> Not printed.

Delegation did not feel enabled to accept the proposals made by the French Government relative on the one hand to the American surtax and, on the other hand, to the French general income tax.<sup>54</sup>

The note goes on to state that if the Government of the United States attaches importance to having its functionaries serving in France exempted from the general income tax on their remuneration the question could be adjusted by joint accord between the two Governments, to be negotiated in connection with the negotiations which the French Government proposed in its note of October 12, 1935, concerning an addendum to the Franco-American Double Taxation Convention (see Embassy's despatch No. 2238 of October 14, 1935).<sup>55</sup> The French Government would not refuse to extend the exemption cited in Article 7 of the Convention to the general income tax if on its part the American Government would agree to give satisfaction to the French claims in the matter of the American surtax.

On the basis of reciprocity the French administration is prepared to suspend application of the general income tax to the remunerations referred to in Article 7. Instructions are being given in this sense insofar as it concerns American functionaries designated on the list sent by the Embassy to the Foreign Office in December 1935.

This list includes American employees of the Embassy, the Agricultural Attaché, the office of the Building Superintendent, the office of the Commercial Attaché, the District Accounting and Disbursing Office, the office of the Military Attaché, the office of the Naval Attaché, the National Advisory Committee for Aeronautics, the Public Health Service and the office of the Treasury Attaché.

In summing up it may be stated that the French Government in its note of December 31, 1935, said that American diplomatic and Consular agents in France, as well as American employees in the Embassy and Consulates are exempted from all income tax on the compensation which they receive from their Government. With regard to Americans on official mission in France, not included in the above categories, the French Government states that they are not exempt from the general income tax but that under Article 7 of the Franco-American Double Taxation Convention they are exempted from the tax on wages and salaries. In the note of August 1, 1936, the French Government confirms its note of December 31, 1935, but stresses the point that the exemption from general income tax on compensation received by employees in France of the American Government is not covered by Article 7 of the Franco-American Double Taxation Convention. It

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<sup>54</sup> See enclosures 1 (pt. I) and 3 with despatch No. 934, October 15, 1930, from the Ambassador in France, *Foreign Relations*, 1930, vol. III, pp. 41, 45, 51.

<sup>55</sup> *Ibid.*, 1935, vol. II, p. 251.

also does not specifically state that all American diplomatic and Consular officers and American employees of the Embassy and Consulates are exempt from all taxes on their compensation. It proposes that the question of the exemption from the general income tax be included in the negotiations which it proposed in its note of October 12, 1935, and which, in accordance with the Department's instruction No. 1142 of December 19, 1935,<sup>56</sup> the Embassy informed the Foreign Office the Department was not ready to take up at that time. However, it states that, on the basis of reciprocity, it is offering that exemption to the persons on the list mentioned above. Thus, practically speaking, at least for the moment, all American officials on duty in France, with the exception of any officers of the Army or Navy who are here as language students or at one of the Staff schools, are actually exempt from all taxes, including the general income tax, on their salaries.

The Foreign Office requests to be informed whether the Department is disposed to consider the French proposal of October 12, 1935, with regard to an addendum to the Franco-American Double Taxation Convention and also if it will accept the inclusion in the addendum of a clause relative to the extension of the provisions of Article 7 of the Convention so as to include the general income tax.

Respectfully yours,

EDWIN C. WILSON

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851.5123 Guaranty Trust Co./21

*The Secretary of State to the Chargé in France (Wilson)*

No. 1504

WASHINGTON, October 13, 1936.

SIR: There is transmitted herewith a copy of a letter dated July 9, 1936,<sup>57</sup> from the Guaranty Trust Company of New York, in regard to the "patente" tax on its capital (*contribution des patentes*) imposed by the French Government by reason of the operation of the company's business in France. The Company states that although only a small percentage of its capital is used in the conduct of its business in France, the tax is imposed on its entire capital and it contends that this basis of taxation is unjust and contrary to the territorial principle of taxation underlying the Franco-American Double Taxation Convention.

The Company requests this Department's assistance with a view to inducing the French Government to afford relief from the alleged excessive taxes by agreeing either by an exchange of notes or by treaty that the "patente" tax as applied to American banking companies in France be computed on the basis of the amount of the

<sup>56</sup> *Foreign Relations*, 1935, vol. II, p. 253.

<sup>57</sup> Not printed.

Company's capital used in conducting its business in France instead of the present basis of computing the tax on its entire capital. A copy of the memorandum prepared by Mr. Mitchell Carroll,<sup>58</sup> counsel for the Guaranty Trust Company, elaborating the views expressed in the Company's letter, is also enclosed, together with a copy of a letter from the Acting Secretary of the Treasury dated September 28, 1936,<sup>58</sup> discussing the French law and pertinent provisions of the tax laws of the United States and commenting on the suggestion of the Guaranty Trust Company that an effort be made to effect the adjustment of the matter by reciprocal agreement between the United States and France.

After careful consideration of the request of the Guaranty Trust Company and the views of the Treasury Department thereon, this Department has reached the conclusion that it would not be advisable to ask the French Government to agree either by an exchange of notes or by a treaty to adopt, as a basis for computing the tax on capital, the territorial basis agreed upon in the Franco-American Double Taxation Convention relating to profits and dividends. This decision is based on the consideration that any proposal for the conclusion of a treaty covering the specific question under reference would of necessity have to take into account a number of other questions involving double taxation which have been raised since the double taxation convention came into force, some of which are still under consideration by the Treasury Department and with respect to which this Government is not at this time prepared to propose negotiations looking to their adjustment by treaty. The Department is, of course, prepared to give appropriate consideration to any pertinent proposals which the French Government may desire to submit.

The Department is also of the opinion that it would not be advisable to ask the French Government to agree by an exchange of notes to apply the territorial principle of the Double Taxation Convention to the tax under reference. This opinion is based on the consideration that the proposal could hardly fail to be regarded by the French Government as a request for a definite formal commitment on the part of that Government to effect, by administrative action, a material amendment—apparently without advantage to France—of a treaty formally ratified by France only after serious opposition in the French Parliament.<sup>59</sup> In the Department's view such a proposal would likely be definitely rejected by the French Government particularly since it appears that the formal extension of the territorial principle of the tax on the capital of foreign companies operating in France has

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<sup>58</sup> Not printed.

<sup>59</sup> See *Foreign Relations*, 1934, vol. II, pp. 167 ff.; also *ibid.*, 1935, vol. II, pp. 247 ff.

been effected in several instances by treaty. The Department would appreciate the comment and opinion of the Embassy on this point.

While the Department is of the opinion that it would not be advisable at this time to propose a formal agreement with the French Government on the subject under reference, the Department is, nevertheless, in substantial accord with the views expressed in the enclosed correspondence as to the unfairness of the basis on which the capital tax is computed in the case of American companies operating in France. It is also in accord with the view that the basis of computation of the tax is not consonant with the principle of territorial taxation given effect in the Franco-American Double Taxation Convention.

You are accordingly requested to communicate with the French Minister of Foreign Affairs substantially as follows:

My Government has been informed that the Guaranty Trust Company of New York, an American banking corporation, operating a banking business in France through branch establishments is required to pay the "patente" tax (*contribution des patentes*) on the basis of its entire capital although only a small portion of that capital is actually employed in conducting its business in France. In view of the fact that Article I of the Franco-American Double Taxation Convention which became effective January 1, 1936, establishes a just basis of taxation for enterprises of one country which operate in the other by providing that such enterprises shall not be subject to tax on the industrial and commercial profits except in respect of such profits allocable to their permanent establishment in the country where the tax is imposed, it is believed that, in consonance with this principle, which is also the general underlying principle of taxation, an American corporation should not be subject to taxation in France on the basis of capital except in respect of capital employed in the transaction of its business in France.

Your attention is invited to the fact that this principle is now given effect in the United States by Section 105 (b) of the United States Revenue Act of 1935,<sup>60</sup> as amended, which provides that the tax on capital of a foreign company carrying on or doing business in the United States shall be computed on the "adjusted declared value of capital employed in the transaction of its business in the United States".

United States Treasury Regulations 64 relating to the capital stock tax reads as follows:

"Art. 63. Capital employed in the United States.—Examples:  
(a) The phrase 'capital employed in the transaction of its business in the United States' means the portion of the total capital of the foreign corporation utilized in carrying on or doing business in the United States.

<sup>60</sup> 49 Stat. 1017.

“(b) A foreign corporation may employ capital in the transaction of its business in the United States in various ways. For example, property in the United States used in its business; notes and accounts receivable, and other like assets, representing business done in the United States; merchandise kept in the United States for sale; and funds on deposit in the United States for use in the corporation’s business in the United States, are capital employed in the transaction of business in the United States.”

Thus under the capital stock tax law and regulations of the United States a foreign corporation organized under the laws of France and carrying on or doing business in the United States is taxed only with respect to the actual capital employed in this country, adjusted so as to reflect increases or decreases in its capital employed in its business in the United States, and in the administration of the law no attempt has been made to add to such capital any portion of the capital employed in France.

I am, therefore, instructed by my Government to inquire whether in view of the considerations set forth herein, the Government of the French Republic would find it possible to interpret the “patente” tax as applied to American corporations doing business in France through branch houses, in consonance with the territorial principle of taxation incorporated in the Franco-American Double Taxation Convention and now applied under the laws of the United States with respect to the tax on capital of French corporations doing business in this country.

The substance of this instruction has been communicated informally to Mr. Eldon P. King, Special Deputy Commissioner of Internal Revenue, Treasury Department, who, as the Embassy was advised by the Department’s instruction No. 1494 of October 5,<sup>a</sup> is proceeding to Geneva on a special mission relating to double taxation questions and will call at the Embassy upon his arrival in Paris about October 25. Mr. Mitchell Carroll, counsel for the Guaranty Trust Company, has also been advised informally of the substance of the instruction.

In view of the fact that Mr. King may discuss this and cognate tax matters with French fiscal officials, you are requested to defer transmitting the above communication to the French Government until you have had an opportunity to discuss the subject with Mr. King. The Department is actuated by a desire to make the most effective representations in behalf of the Guaranty Trust Company, and therefore leaves to your judgment the exact time when this communication should reach the French Government.

Very truly yours,

For the Secretary of State:  
R. WALTON MOORE

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<sup>a</sup> Not printed.



851.512 American Stock Exchange Brokers/27

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

WASHINGTON, October 13, 1936.

SIR: With reference to the Embassy's despatch No. 3056, of September 10, 1936,<sup>62</sup> relating to the two per mille tax on the operations of American Stock Exchange brokers in France, you are informed that Count René de Chambrun called at the Department on October 6, 1936, to discuss this matter.

As you know, Mr. de Chambrun has been retained as counsel for the defense in the case of the French fisc versus de St. Phalle, and is therefore representing the interests of the American stock exchange firms in France. Mr. de Chambrun is particularly anxious at this time to obtain a postponement of the trial of the case and he is convinced that, if the French tax authorities understood that the Department was willing to explore the possibilities for negotiation on tax matters, his request for a postponement would be favorably received.

The Department has informed Mr. de Chambrun orally that Mr. Eldon P. King, Special Deputy Commissioner of Internal Revenue, expected to be in Paris late in October in order to discuss tax questions with the Embassy, and that, in view of Mr. King's competence in this field, the Department suggested to Mr. de Chambrun that he communicate again with the Embassy upon his return to Paris.

The Department, of course, does not wish to commit itself in any way to a promise to open negotiations with the French Government on tax questions, and it is not prepared to give an opinion concerning the validity of the de St. Phalle case. It is of the opinion, however, that after Mr. King has conferred with the French fiscal authorities the latter may be willing to recommence [*recommend?*] the postponement of the de St. Phalle case. If you also are of this opinion, after having discussed the matter with Mr. King, you are requested to inform Mr. de Chambrun when he calls at the Embassy that, if he decides to ask for a postponement of the de St. Phalle case, the Embassy will informally support his request with the French authorities.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

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<sup>62</sup> Not printed.

811.512351 Double/354

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

No. 96

PARIS, November 10, 1936.

[Received November 20.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 1494 of October 5, 1936<sup>65</sup> informing the Embassy of the arrival in Paris of Mr. Eldon P. King, Special Deputy Commissioner of Internal Revenue, Department of the Treasury.

Upon Mr. King's arrival here Mr. Hawks, of the Embassy staff, went over with him the various taxation cases which are now before the Embassy. At Mr. King's suggestion the Embassy sent its wire No. 1007 of October 15, 4 p. m.<sup>65</sup> requesting that Mr. Francis de Wolf, Assistant in the Treaty Division of the Department of State, be instructed to come to Paris on his way back to the United States from Warsaw in order to discuss taxation matters with Mr. King and the Embassy.

Mr. King and Mr. de Wolf, accompanied by Mr. Hawks, had an interview with Mr. Bizot, General Director of direct taxes, and Mr. Barrau, Administrator of the Directorate of direct taxes, and another with Mr. Georges Picot, Director of Control. A memorandum outlining the discussions which took place at these two interviews was prepared by Mr. King and Mr. de Wolf and is transmitted herewith. These discussions were entirely informal and the Foreign Office was verbally notified to that effect.

Respectfully yours,

For the Ambassador:  
EDWIN C. WILSON  
*Counselor of Embassy*

[Enclosure]

*Memorandum by Mr. Eldon P. King and Mr. Francis Colt de Wolf of  
Conversations With Officials of the French Ministry of Finance*

[PARIS,] November 2, 1936.

In its instruction of October 5, 1936, No. 1494,<sup>65</sup> the Department directed Mr. Eldon P. King Special Deputy Commissioner of Internal Revenue to discuss informally with officials in the French Ministry of Finance certain specialized phases of the tax difficulties outstanding between the two governments with a view to arriving at an estimate of the feasibility of settling these difficulties. In a telegraphic instruction of October 23<sup>65</sup> the Department directed Mr. Francis Colt de Wolf

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<sup>65</sup> Not printed.

of the Treaty Division to accompany Mr. King. Mr. King and Mr. de Wolf were accompanied by Mr. Stanley Hawks, Second Secretary of Embassy, at the meetings with the officials of the Ministry of Finance, M. Jean Bizot, Directeur Général des Contributions directes (Director of direct taxes), M. Auguste Barrau, Administrateur, Direction Générale des Contributions directes (Administrator of the Directorate of direct taxes), and M. Georges Picot, Directeur du Contrôle (Director of Control).

Two meetings were held at the Ministry of Finance on Friday, October 30 and Tuesday, November 3. At these meetings Mr. King made a survey of the pending tax questions between the two countries. It will be recalled that in a note of October 12, 1935<sup>66</sup> the French Foreign Office suggested the negotiation of an addendum to the existing double taxation convention between the two countries whereby non-resident French citizens would not be subject to surtax imposed by the then existing revenue acts or at least would be relieved from paying such tax on dividends and nonresident American citizens would not be subject to the French general income tax.

Subsequently when the Embassy took up with the French authorities the question of reciprocal exemption of government employees from the general income tax in France and from the income tax in the United States the French authorities again pointed out that this matter might be settled by its inclusion in the proposed addendum to the double taxation convention between the two countries.<sup>67</sup> At a later date when the Embassy took up with the French government the question of the French transactions tax on orders received in France by representatives of American brokerage firms it was again suggested to the Embassy that the question might be settled through the conclusion of an addendum.

In view of the fundamental change in the taxation of non-resident aliens and foreign corporations as embodied in the Revenue Act of 1936<sup>68</sup> it was not entirely clear whether a basis still existed for the conclusion of an addendum as envisaged by the French authorities in their note of October 19, 1935. At the two meetings Mr. King outlined the tax cases now pending, namely :

1. Taxation of certain American officials in France,
2. The extra-territorial effect of the Patente tax as applied to branches in France of American banks. The only case at present pending is that of the Guaranty Trust Company,

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<sup>66</sup> Not printed; see despatch No. 2238, October 14, 1935, from the Chargé in France, *Foreign Relations*, 1935, vol. II, p. 251.

<sup>67</sup> See despatch No. 3049, September 4, from the Chargé in France, p. 112.

<sup>68</sup> 49 Stat. 1648, 1714, 1717.

3. The transactions tax imposed by the French government on the receipt of orders in France by representatives in France of American brokerage houses.

As far as the tax of government officials is concerned we recognized that under the double taxation convention French officials in the United States were exempt from all income tax including the surtax while in France certain officials of non-diplomatic status of the American government were exempt from the schedular taxes but not from the general income tax. This situation could, of course, be rectified by the conclusion of an addendum.

With regard to the Patente tax the French officials while recognizing that the matter might be settled by means of treaty provisions indicated that it might be preferable to settle it through a change in legislation or by an executive decree. However, they expressed some doubt as to whether the situation could be remedied by means of a decree in the absence of further legislation. They appeared to recognize that the Guaranty Trust Company was being assessed excessive taxes and that the situation called for a remedy through one means or another.

In regard to the tax on stock brokers in France they recognized that this was a clear case of double taxation inasmuch as the French imposed the transactions tax on the receipt of the order and the United States imposed the tax on the execution of the order on the exchange in the United States. They also pointed out, however, that to relieve American Brokerage concerns having representatives in France from this tax would place them in a privileged position compared with French brokers who are required to pay the tax upon the receipt of orders in France for execution on American exchanges. However, on account of the double taxation element involved in the case they appeared to be of an open mind as to the possibility of remedying the situation through appropriate treaty provisions. In return for the inclusion of the three cases above-mentioned in an addendum they indicated that they would have to insist on two points:

1. The elimination of what they consider a discriminatory feature of the Revenue Act of 1936 as applied to non-resident aliens and foreign corporations and

2. The cooperation of the American government in preventing tax evasion.

In regard to point one, they observed that non-resident French nationals are taxed a 10% withholding rate while in the case of residents of the United States the normal tax only amounts to four per cent and the combined totals of the normal tax and surtax does not represent an amount of ten per cent until the net income is about \$20,000. They added that in practically all cases incomes from the United States of French nationals were under that figure. They thus in effect pro-

posed that we should return to the provisions of the former Revenue Acts with regard to taxation of non-resident aliens and foreign corporations. The American representatives expressed some doubts as to whether the provisions of the Revenue Act of 1936 relating to non-resident aliens and foreign corporations could be changed to meet the views of the French authorities but they inquired whether the French would consider a reciprocal treaty similar to that contemplated in the Revenue Act of 1936 with Canada<sup>70</sup> and Mexico. The present French withholding rates range from 12 to 24%. They expressed an inability to conclude a convention of this nature contending that we should place non-resident aliens and foreign corporations on the same basis as resident and domestic corporations which is the basis employed in the French system of taxation.

The French authorities indicated that the present French government is greatly interested in the subject of cooperation to prevent tax evasion and added that such provision is now a *sine qua non* condition for the conclusion of any double taxation treaty by France. In discussing the matter of mutual disclosure of information to prevent tax evasion it developed that under the French system as it now exists they are in a position to give quite complete information upon the death of the taxpayer, also in specific cases where request is made by a foreign government and to disclose such information as they may find in carrying on their own investigations, but that they do not have a general system of information returns such as obtains in the United States, namely, a periodic disclosure of stock and commodity transactions and dividend payments over certain amounts and a disclosure through ownership certificates of certain interest payments. On the whole the French recognized that we are in a position to give more complete information than they are and that since security investments in the United States of French citizens are heavier than security investments in France of American citizens a provision of this kind would be of considerable advantage to them.

There was also discussed the possibility of broadening the scope of the present double taxation convention to bring it in line with the "Revised Text of the Draft Convention for the Allocation of Business Income between States for the Purposes of Taxation" as set forth in Annex 1 of the report of the fiscal committee for the League of Nations dated June 17, 1935. It was explained that we had made no detailed study of the draft convention but had noted that there were certain provisions relating to methods of allocation of business income and definitions of such terms as fiscal, domicile, agency etc. which might be of mutual interest to the two countries in any addendum to

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<sup>70</sup> Convention signed at Washington, December 30, 1936, Department of State Treaty Series No. 920; also 50 Stat. 1399. For correspondence regarding negotiation of this convention, see vol. 1, pp. 790 ff.

the existing convention. It was also noted that in many of the conventions existing between countries the model draft convention of the League of Nations has been followed far more extensively than it has been followed in the existing double taxation convention between the United States and France. They expressed their willingness to give further consideration to the possibility of broadening the existing convention between the two countries to include matters set forth in the Geneva draft which might be of mutual interest to the two countries.

The American representatives indicated that if it were not found possible to meet the French desire with regard to the treatment of non-resident aliens and foreign corporations it might be possible to embody in a treaty provisions freezing certain sections in the Revenue Act of 1936 such as the capital stock tax provisions which impose tax on foreign corporations doing business in the United States only to the extent of the capital employed therein and the provision which exempts non-resident aliens and foreign corporations from tax on capital transactions executed through regular brokers, commission agents or custodians.

The representatives of the United States during the course of these conversations did not take up the case of the Durham Duplex Razor Company concerning which there has been previous correspondence between the Embassy and the Foreign Office inasmuch as this involves merely an interpretation of Article 10 of the existing convention and they deemed it preferable to hold it in reserve pending the consideration of the possible conclusion of an addendum.

It was mutually made clear that these conversations were of a purely informal and exploratory nature in no wise binding the two governments and that upon their return to the United States the representatives of the American government would take up with their appropriate authorities the points brought out in the conversations with a view to determining what action if any could be taken on them.

ELDON P. KING  
FRANCIS COLT DE WOLF

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851.5123 Guaranty Trust Co./22

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

No. 105

PARIS, November 12, 1936.

[Received November 20.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 1504 of October 13, 1936 with which was transmitted a copy of a letter dated July 9, 1936 from the Guaranty Trust Company

of New York <sup>71</sup> in regard to the "Patente" tax on its capital imposed by the French Government by reason of the operation of the company's business in France.

This case was mentioned in the general discussions which took place recently between officers of the Ministry of Finance and Mr. King, of the Treasury Department, Mr. de Wolf, of the Department of State, and Mr. Hawks of the Embassy (See Embassy's despatch No. 96 of November 10, 1936).

In view of the fact that as the Embassy's understanding is that Mr. King and Mr. de Wolf are going to discuss in Washington the question of whether or not the Government of the United States desires to open negotiations looking toward agreeing upon an addendum to the Franco-American double taxation convention, it was thought advisable not to address a communication to the French Government with regard to the case of the Guaranty Trust Company until after a decision had been reached in Washington with regard to the question of whether or not negotiations would be opened. Mr. King and Mr. de Wolf approved of this decision which was likewise discussed with Mr. Mitchell Carrol, Counsel for the Guaranty Trust Company, who also approves.

Respectfully yours,

For the Ambassador:  
EDWIN C. WILSON

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**REPRESENTATIONS BY THE FRENCH GOVERNMENT AGAINST LEGISLATION PERMITTING USE OF CERTAIN FRENCH WINE NAMES BY AMERICAN PRODUCERS <sup>72</sup>**

811.114 Liquor/1094

*The French Chargé (Henry) to the Secretary of State*

[Translation]

WASHINGTON, May 20, 1936.

MR. SECRETARY OF STATE: At the time of the establishment of the regulations for the wine-making industry, the Federal Administration authorized the use by American producers, under certain conditions, of some French geographical appellations such as Sauterne, Champagne, Chablis. Deeming that long usage might, up to a certain point, justify this decision, my Government refrained from calling Your Excellency's attention to the objectionable features this presented for French producers.

But an amendment passed yesterday by the Senate <sup>73</sup> would permit the use not only of the appellations above mentioned but those of

<sup>71</sup> Letter not printed.

<sup>72</sup> For previous correspondence, see *Foreign Relations*, 1934, vol. II, pp. 196 ff.

<sup>73</sup> See *Congressional Record*, vol. 80, pt. 7, p. 7494; for text of amendment, see *ibid.*, p. 7491.

St. Julien, Médoc, Cognac, and of "any other geographic name of foreign origin". This amendment, which opens the door to abuses of all sorts, would run the risk of causing the most serious prejudices to French producers, particularly so far as the word Cognac is concerned. The American brandy (*eau-de-vie*) manufacturers have always used the designation "Brandy" and nothing permits maintaining that the word Cognac has acquired a generic character.

Thus I deem it useful to call Your Excellency's attention to the grave disadvantages that would be presented by the final adoption of this amendment, which would not fail to disturb French public opinion deeply and compromise seriously the happy results that our two countries have a right to hope for from the recent trade agreement.<sup>74</sup>

Please accept [etc.]

JULES HENRY

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811.114 Liquor/1102

*Memorandum by the Assistant Chief of the Division of Western European Affairs (Culbertson)*

[WASHINGTON,] June 13, 1936.

In his conversation with Mr. Dunn<sup>75</sup> this morning, Mr. Henry inquired as to the status of H. R. 9185, and the MacAdoo-Johnson amendment thereto, which permits domestic interests to use famous French wine names. Mr. Dunn stated that the Secretary had again taken this matter up with the appropriate members of Congress, and that it was the Secretary's intention that should the legislation pass his efforts with regard to the particular amendment in question would not cease, and that it could be said for Mr. Henry's strictly confidential information that in all probability efforts would be made at the next session of Congress to have that provision of the Liquor Tax Bill altered.

The question then came up as to when this Bill would become effective in the event that it is passed. Mr. Dunn telephoned to Mr. Price, the Clerk of the Ways and Means Committee, with regard to this question, and Mr. Price telephoned back later to say that Section 508 of the Bill provides that with the exception of Sections 502 and 505 the Act shall take effect when a majority of the Administrators of the Federal Alcohol Administration have qualified and taken office. (Since the Administrators have to be nominated by the President and confirmed by the Senate, we might hope that the Act, even if passed, cannot become effective before the next session of Congress.[])

P[AUL] T. C[ULBERTSON]

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<sup>74</sup> Signed at Washington, May 6, 1936, Department of State Executive Agreement Series No. 146; 53 Stat. 2236. For correspondence regarding the agreement, see pp. 85 ff.

<sup>75</sup> Chief of the Division of Western European Affairs.



811.114 Liquor/1084

*The Secretary of State to the French Chargé (Henry)*

WASHINGTON, June 17, 1936.

SIR: I refer to your note of May 20, 1936, concerning an amendment to the Liquor Tax Bill which provides for the use of certain wine names by American wine producers. This has also been the subject of oral conversations with you.

Your Government's concern in this matter has been brought to the attention of the appropriate committees in Congress, and the problem has and will continue to receive the Department's earnest attention.

Accept [etc.]

For the Secretary of State:  
FRANCIS B. SAYRE

811.114 Liquor/1118a: Telegram

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

WASHINGTON, June 29, 1936—4 p.m.

203. The French Chargé d'Affaires left me June 26th a memorandum <sup>76</sup> expressing the concern of the French Government with respect to the effect of the provision contained in the recent liquor tax law <sup>77</sup> with regard to the use of names of regional origin in the labeling of wines. I wish you would take occasion to inform the Minister of Foreign Affairs personally, if possible, that we are giving the representations of the French Government the most serious consideration, and that we will communicate with the Chargé d'Affaires here as soon as our studies of all phases of the matter have progressed to a point where we feel that we can make a helpful contribution to the situation. We are most anxious that a satisfactory solution may be found to the points raised by the French Government.

PHILLIPS

811.114 Liquor/1120: Telegram

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

PARIS, June 30, 1936—8 p.m.

[Received June 30—1:55 p.m.]

563. Department's 203, June 29, 4 p.m. In the absence of the Minister of Foreign Affairs and the Under Secretary of State for

<sup>76</sup> Not found in Department files.<sup>77</sup> Approved June 26, 1936; 49 Stat. 1939.

Foreign Affairs who are both at Geneva, your message has been delivered to the official at the Foreign Office in charge of commercial relations. He expressed his appreciation and stated that the French Government knew that our government was making every effort to reach a satisfactory solution of the matter. He added that they were genuinely concerned here as to the effect which placing the recent liquor tax law in force would have on ratification by the Parliament of the trade agreement. Upon the return of the Minister for Foreign Affairs, I will take occasion to repeat your message to him personally.

STRAUS

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AGREEMENT BETWEEN THE UNITED STATES AND FRANCE FOR THE SUPPRESSION OF CUSTOMS FRAUDS, EFFECTED BY EXCHANGE OF NOTES, DECEMBER 10 AND 12, 1936

611.51244/38

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

No. 2595

PARIS, March 9, 1936.

[Received March 20.]

SIR: I have the honor to enclose a copy and translation of a note from the Ministry for Foreign Affairs dated March 5, 1936, wherein the Ministry proposes the conclusion of an agreement between France and the United States whereby the Customs authorities of the two countries would assist each other in the detection of frauds upon the Customs revenue.

With the Ministry's note is enclosed a draft convention<sup>78</sup> providing that the Customs administrations of the two countries will communicate to each other all information concerning irregular imports and exports which may be brought to the knowledge of the customs service and which might facilitate the suppression of fraud in the other country, and providing further that the customs administration concerned shall send directly to the other, upon the latter's request, all information which may have been gathered from documents in its possession, and that such information may, in case of the prosecution of smugglers before the courts, be communicated to the judicial authorities.

The Ministry for Foreign Affairs requests that the proposed convention be submitted to the American Government with the inquiry whether it would be in favor of concluding such an agreement which, in the opinion of the Ministry, could be effected by an exchange of notes.

The Department will recall the difficulties encountered by the American Customs Administration last year in its efforts to obtain

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<sup>78</sup> Not printed.

information from the French Customs in connection with suspected fraud upon the customs revenue caused by the action of certain exporters at Le Havre in repacking Italian hats, in which case the French Customs eventually supplied the information desired only upon condition that it would be used for administrative purposes only and would not be communicated to the judicial authorities for use in prosecuting the offenders. (See Embassy's despatch No. 1927, May 30, 1935.<sup>79</sup>)

The Treasury Attaché of the Embassy informs me that subsequently the French customs authorities had occasion to demand similar information from the Customs administration of the United States in connection with the fraudulent documentation of radio tubes, and that on his advice the information was supplied only under similar assurances from the French authorities that it would not be used in the courts. When the French authorities complained that the information to be of real value must be communicated to the judicial authorities, Mr. Wait says that they were informed that the restriction of the use to be made thereof was exactly the same as that imposed by the French authorities upon the information they had supplied in the case of the Italian hats.

The fact that the American Customs Administration had restricted the use to be made of the information given in the above case seems to have brought the French authorities to a realization of the desirability of mutual unrestricted communication between the customs services in such matters, and the note from the Ministry for Foreign Affairs would appear to be the result of that realization.

Respectfully yours,

JESSE ISIDOR STRAUS

[Enclosure—Translation]

*The French Ministry for Foreign Affairs to the American Embassy*  
File X 31 dg.

The attention of the French Government has been drawn to the advantages which would result from a cooperation between the customs administrations of the various countries in repressing customs frauds. Upon frequent occasions, as a matter of fact, the French services concerned, failing such a collaboration, have found it impossible to discover and prosecute smugglers whose operations had been, in part, carried out in foreign places.

Therefore, the French Government is of the opinion that such inconveniences might be remedied through the conclusion of agreements according to which the customs administrations would vouch mutual assistance to each other in the investigation of customs frauds.

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<sup>79</sup> Not printed.

The French Government desires to negotiate first with the Government of the United States of America and, for that purpose, the Ministry for Foreign Affairs has the honor to forward herewith to the Embassy the draft of a convention<sup>80</sup> which might be signed by the two countries.

The Ministry requests the Embassy kindly to submit the text in question to its Government for approval and to inquire whether the latter would be in favor of concluding such an agreement which could be made in the form of an exchange of letters.

PARIS, March 5, 1936.

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611.51244/45

*The Secretary of State to the Chargé in France (Wilson)*

No. 1500

WASHINGTON, October 10, 1936.

SIR: The receipt is acknowledged of the Embassy's despatch No. 2595 of March 9, 1936, transmitting a proposal from the French Government for the conclusion of an agreement for the cooperation between the Customs services of France and the United States.

This proposal has received the careful consideration of the interested Departments of this Government and these are agreeable to the conclusion of such an arrangement. The draft convention submitted with the despatch under reference is agreed to in substance, but it is suggested that, in order to extend the scope of the agreement, provisions similar to Articles 1 and 5 of the Convention between the United States and Canada for the suppression of smuggling, proclaimed on July 17, 1925,<sup>81</sup> be incorporated in the agreement with France.

You are, therefore, requested to transmit the above information to the French Foreign Office, together with the enclosed counter draft<sup>80</sup> of the proposed arrangement and a copy of Treaty Series No. 718. You may add that the Department is agreeable to the proposal to make the agreement effective by an exchange of notes.

Should you find it advisable to discuss the counter proposal with the French authorities, there is enclosed an explanation<sup>82</sup> of why certain changes and additions to the French draft were made, which you may use in your discretion.

Very truly yours,

For the Secretary of State:  
R. WALTON MOORE

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<sup>80</sup> Not printed.

<sup>81</sup> Signed at Washington, June 6, 1924, *Foreign Relations*, 1924, vol. I, p. 189 (Treaty Series No. 718); for Executive Order No. 4306 of September 19, 1925, Approving Regulations To Give Effect to the Convention of June 6, 1924, see *ibid.*, 1925, vol. I, p. 573.

<sup>82</sup> Not attached to file copy of this document.

611.51244/47: Telegram

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

PARIS, December 3, 1936—noon.

[Received 1:03 p.m.]

1188. Department's telegram No. 482, November 28, 1 p.m.<sup>88</sup> In connection with the conclusion of the agreement for the suppression of customs frauds the Foreign Office has on two occasions asked the Embassy whether the restriction against the public use of certain information furnished in the past by our Customs Bureau would be removed: see telegrams of July 27 and November 25 from the Treasury Attaché to the Customs Bureau, file number 91271. Both these requests were refused on the ground that the Department of Commerce would not authorize such use being made of the information. See letter dated August 20, 1936, from Customs Bureau to Treasury Attaché and also telegram dated December 1.

The French Government has now orally inquired if after the coming into force of the agreement for the suppression of frauds it makes a formal request for the removal of the restriction against the use of this information, this will be granted.

In view of the fact that the exchange of letters concluding this agreement will shortly be signed, and since the Treasury Attaché sees no reason why the French Government should not be allowed to use this information in court, I strongly recommend, unless there is some compelling reason for the contrary, that the necessary steps be taken to the end that this permission be granted at once prior to the coming into force of the agreement as I believe such action would have a good effect here.

BULLITT

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611.51244/47: Telegram

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

WASHINGTON, December 4, 1936—7 p.m.

500. Your 1188, December 3, noon. Although the Department of Commerce does not see its way clear for technical reasons to release the information in question until the agreement is operative, you may assure French officials that it will immediately be made available to them as soon as the agreement is in force.

MOORE

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[For texts of notes signed December 10 and 12, 1936, see Department of State Executive Agreement Series No. 99, or 50 Stat. 1468.]

<sup>88</sup> Not printed.

611.51244/48 : Telegram

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

PARIS, December 14, 1936—3 p.m.  
 [Received December 14—11:10 a. m.]

1251. Department's telegram No. 500, December 4, 7 p.m. Exchange of letters took place today.

Am I authorized to inform the French Government that on December 15, the date of coming into effect of the agreement, it may use for the courts the information already received by it from our customs authorities? <sup>84</sup>

BULLITT

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STATUS UNDER FRENCH LAW OF AMERICAN CITIZENS OF FRENCH ORIGIN, PARTICULARLY WITH RESPECT TO LIABILITY TO MILITARY SERVICE IN FRANCE <sup>85</sup>

351.117/426

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

No. 1102

WASHINGTON, October 31, 1935.

SIR: The Department has received your despatches Nos. 1547 of January 22, 1935, 1816 of April 24, 1935, and 2099 of August 17, 1935 <sup>86</sup> regarding the liability of American citizens to perform military service in France.

It is observed from the note of April 18, 1935, <sup>87</sup> from the French Ministry of Foreign Affairs, a copy of which accompanied your despatch No. 1816 above mentioned, that delinquents under the French military laws who are naturalized as foreigners can under no circumstances obtain authorization to sojourn in France.

With your despatch No. 2099, above referred to, you enclose a copy of a Foreign Office note of July 10, 1935, <sup>87</sup> in which it is stated that the Ministries for Foreign Affairs and of War have decided that *sauf-conduits* may be accorded to Frenchmen residing abroad who are considered to be delinquents under military law if they have dual nationality as a result of the application of the laws of the country wherein they reside, provided that they have not already been condemned by default by a Military Tribunal.

It is requested that you endeavor to ascertain and inform the Department as to how far the French Foreign Office note of April 18, 1935

<sup>84</sup> Authorization was granted in telegram No. 528, December 15, 1936, to the Ambassador in France.

<sup>85</sup> For previous correspondence, see *Foreign Relations*, 1921, vol. I, pp. 937 ff.

<sup>86</sup> None printed.

<sup>87</sup> Not printed.

is a limitation on the French Foreign Office note of July 10, 1935. What is meant by the expression "if they have dual nationality as a result of the application of the laws of the country wherein they reside", which is contained in the note of July 10, 1935? Does the expression refer only to persons born in the United States of French parents, or does it also apply to persons born in France who are naturalized in the United States in their own right or through the naturalization of their parents? On pages 35 and 37 [36] Sections (b) and (c) of the *Notice to Bearers of Passports*, edition of March 27, 1935, it is stated that *sauf-conduits* may be issued to persons born in France who were naturalized as American citizens before they were declared to be defaulters and also to persons born in France who were naturalized as American citizens after they were declared defaulters. Does the note of July 10, 1935, mean that *sauf-conduits* will no longer be issued to persons in either or both of the categories just mentioned? If the *sauf-conduits* will not be issued in such cases, the statements made in the above-mentioned sections of the Notice must be changed. Two copies of the current *Notice to Bearers of Passports*, revised as of March 27, 1935, are enclosed.

It is also requested that you endeavor to ascertain from the appropriate French officials, and furnish to the Department, an interpretation of Sections (1) and (3) of Article IX of the French Nationality Law of August 10, 1927. It is assumed that Article IX (1) of the French Law of August 10, 1927 has reference to a Frenchman who, after attaining the age of twenty-one years, has been naturalized as a citizen of the United States and that such a person is not considered as having French nationality if he has obtained special authorization to renounce French nationality from the French Government, or ten years have elapsed from the date of his enlistment into active service in the French army or the entry of his name on the military liability list, in case he is excused from active service. The section of French law under discussion seems to apply only to one who at his own request acquires a foreign nationality. Under the naturalization laws of the United States an alien cannot by his own act be naturalized as a citizen of the United States until he shall have attained the age of twenty-one years. It would therefore seem to be advisable to modify the first sentence in Section D on page 38 by the insertion after the word "citizen" and before the word "would" appearing in line three, the words "after attaining the age of twenty-one years". Unless such insertion is made, it is possible that the section of French law under discussion may be considered as applicable not only to a Frenchman who was naturalized upon his own petition but also to a Frenchman who was naturalized while a minor through the naturalization of his French parent.

Article IX (3) of the French law of August 10, 1927, is assumed

by the Department to refer to a person who was born in the United States of French parents and consequently acquired American citizenship under Article XIV of the Amendments to the Constitution of the United States and French nationality under the provisions of French law, or to one who was born in France or elsewhere of French parents and who acquired American citizenship while a minor through the naturalization of his parent. The Department further assumes that such a person can divest himself of French nationality only by specific authorization of the French Government and that application for such authorization may be made either before or after attaining majority.

The views of the Department with regard to the meaning of Sections (1) and (3) of Article IX of the French law of August 10, 1927, would appear to coincide with opinions previously expressed by your office, but the Department deems it desirable that you endeavor to ascertain whether such views coincide with the interpretation placed upon these sections by the appropriate French authorities.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

351.117/451

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

No. 166

PARIS, December 2, 1936.  
[Received December 15.]

SIR: I have the honor to refer to instruction No. 1102 of October 31, 1935, directing the Embassy to endeavor to obtain (1) a clarification of the policy of the French authorities in the matter of the issuance of *sauf-conduits* to American citizens of French origin to enable them to visit France without encountering difficulties at the hands of the military authorities, and (2) an interpretation of certain sections of Article IX of the French Nationality Law of August 10, 1927.

Since the receipt of the above instruction, the Embassy has made repeated efforts, both formal and informal, to obtain the information sought by the Department. The Foreign Office replied to the Embassy's representations by notes dated December 23 and 28, 1935. As however these notes were incomplete and not clear, *aides-mémoires* were left at the Foreign Office, followed by a third note dated April 27, 1936. This last note from the Embassy brought forth a reply dated October 13, a copy and translation of which are enclosed.<sup>88</sup> Moreover, copies and translations of other pertinent communications on the subject are transmitted as enclosures<sup>88</sup> to this despatch to complete

<sup>88</sup> Not printed.



the Department's files. The substance of the Foreign Office communications to the Embassy in the matter is furnished below.

#### SAUF-CONDUITS

Sauf-conduits will in future be issued only to those French citizens, delinquent under the military law and residing abroad, who (1) have dual nationality independently of their volition, that is, those who *ipso facto* have acquired the nationality of the country of residence without any expression of their will, (2) who became delinquent before January 1, 1927, and (3) who have not been condemned by default by a military tribunal (see Foreign Office note of October 13, 1935). In other words, a sauf-conduit will not be issued in any given case unless the three aforementioned conditions are fulfilled.

Referring to (1) above, the Foreign Office in its note of December 28, 1935, states that it is disposed to give a liberal interpretation of the phrase "independently of their volition" in the case of children naturalized through the naturalization of their parents, but that the circumstances of each case will be taken into consideration in reaching a decision.

#### DECREE-LAW OF OCTOBER 30, 1935

The Embassy here invites the Department's attention to the decree-law of October 30, 1935, enclosed herewith,<sup>89</sup> from which it appears that those French citizens who proceeded for residence to countries outside of Europe and not bordering on the Mediterranean, before the commencement of the formalities incident to the calling of their class to the colors, are exempt from military service, provided there is no military unit sufficiently near to the place of residence into which such persons can be incorporated (Article I-c). The decree-law became effective October 31, 1935, the date of its promulgation. It appears from the text thereof that the United States is one of the areas in which the exemption is effective, and this presumption is confirmed by the Foreign Office statement (note of December 28) that "French citizens residing in the United States are no longer required, in time of peace, to perform their military service in France".

Persons in this category "may be authorized" (Article II of the decree-law) to come to France for a period of three months each year, which period is cumulative not ordinarily to exceed one year. In reply to the Embassy's inquiry (note of April 27, section I-b) as to the formalities which those in this class who are Americans as well as Frenchmen must fulfill in order to obtain the aforementioned authorization, the Foreign Office has replied (note of October 13) that it

<sup>89</sup> Not reprinted.

is not yet informed in this respect, but that the information sought has been requested of the Ministry of War and will be transmitted to the Embassy later. The Embassy will send this information to the Department promptly upon its receipt.

ARTICLE IX (1) OF THE NATIONALITY LAW OF AUGUST 10, 1927

In an effort to obtain clarification of this provision of law, the Embassy put the following questions to the Foreign Office (note of April 27) :

(1) Does a French citizen who is naturalized in the United States after his 21st birthday, that is, pursuant to his formal application, *ipso facto* divest himself of French nationality, under French law, as a result of the mere running of the ten year period mentioned in Article IX (1) of the Nationality Law of August 10, 1927, **provided** he remains during that period in good standing with the French military authorities?

(2) Does such a person divest himself of French nationality, under the above circumstances, if he does not remain during the aforementioned ten year period in good standing with the military authorities?

In reply to these questions, the Foreign Office in its note of October 13 states that a French citizen, naturalized abroad before the expiration of the ten year period, whether or not at the time in good standing with the military authorities, will not automatically lose French nationality as a result of the mere running of the aforementioned ten year period. Such a person will not lose his French citizenship until he is authorized by decree to retain the foreign nationality he has acquired.

ARTICLE IX (3) OF THE NATIONALITY LAW OF AUGUST 10, 1927

Referring to this provision of law, the Foreign Office states (note of October 13) that a child born in the United States of French parents is of French nationality under French law, and that such a person can divest himself of French nationality only by means of a decree. The appropriate application can be made (1) by the interested person himself if he is over twenty-one years of age, (2) by the person concerned, with the permission of his legal representative, if he is less than twenty-one years old and over sixteen, and (3) by the legal representative of the interested minor in the latter's name if he is less than sixteen.

It appears from the Foreign Office note of December 23 that the status of a person who has acquired American citizenship during minority as a result of the naturalization of his or her parents varies according as the naturalization of the parents was or was not authorized by the French Government. In other words, if in such a case the

parents remain French under French law, the child likewise remains French. If on the other hand the French Government has granted its permission, the minor child follows the nationality of his or her parents and acquires American citizenship under French law.

The Foreign Office adds that the hypothetical case discussed in the preceding paragraph does not come within the purview of Article IX (3) "since the acquisition of a foreign nationality is not the effect of the law, but of the initiative of the parents."

ARTICLE 99 OF THE FRENCH RECRUITING LAW OF MARCH 31, 1928

Reference is made in this general connection to the July 15, 1936, edition of the *Notice to Bearers of Passports*, subsection (a), concerning the military exemption accorded to persons born in the United States of French parents, by the Recruiting Law of March 31, 1928. Although it appears from the text of Article 99 of that law that the exemption is to be accorded "in time of peace" only, this qualification is not mentioned in the *Notice to Bearers of Passports*. This is being brought to the attention of the Department in the thought that it may wish to consider the possible advisability of inserting the phrase "in time of peace" in section B, subsection (a), of the *Notice*, for the information of American citizens in this class who plan to visit France.

A copy and translation of the text of Article 99<sup>90</sup> are enclosed herewith for convenient reference.

Respectfully yours,

For the Ambassador:  
EDWIN C. WILSON  
*Counselor of Embassy*

351.117/452

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

No. 243

PARIS, December 30, 1936.  
[Received January 15, 1937.]

SIR: I have the honor to refer to my despatch No. 166 of December 2, 1936, furnishing information regarding questions arising out of dual nationality, with particular regard to difficulties encountered by American citizens at the hands of the French military authorities when they visit France.

A representative of the Embassy called a few days ago on Monsieur de Reffye, chief of the Division of Chancelleries and Legal Matters at the Foreign Office, in an endeavor to procure further clarification of certain phases of this matter. The substance of his conversation with Monsieur de Reffye follows below. (The parenthetical notes appear-

<sup>90</sup> Not printed.

ing hereinafter refer in each case to the aforementioned despatch No. 166.)

### I-SAUF-CONDUITS

The Embassy's representative referred to the Foreign Office note of October 13 (enclosure 21),<sup>91</sup> and reviewed briefly the circumstances whereby the American authorities had agreed to issue visas to military reservists who desire to return to the United States at the expense of the French Government, after having performed their military service in France. He reminded Monsieur de Reffye that the Embassy's representative who had previously discussed the matter with the Foreign Office had understood that the French authorities were, as a counter concession, to consent to issue sauf-conduits to all naturalized American citizens of French origin, with the exception of those already condemned by default by a military tribunal. The French concession had failed to materialize as the Embassy had expected. (See enclosure 18.)

Monsieur de Reffye replied that the Secretary of the Embassy with whom he had first discussed the matter had apparently been a little too optimistic and had misunderstood the extent of what the Foreign Office had promised to do, or to try to do, concerning sauf-conduits. He added that the Ministry of War does not approve the issuance of sauf-conduits to defaulters who acquire foreign naturalization at their own request; that he had obtained for the Embassy all that the Ministry of War is ready to concede; and referred to the Decree-Law of October 30, 1935 (enclosure 17) as constituting in large measure the concession sought by the Embassy as compensation for the one regarding French reservists returning to the United States.

Although Monsieur de Reffye showed a sympathetic attitude, he offered no hope of further mitigation by the military authorities of their strict position regarding military delinquents. (Attention is invited in this connection to enclosure 13 to despatch 166.)

### DECREE-LAW OF OCTOBER 30, 1935

Monsieur de Reffye's attention was drawn to the Embassy's non-receipt of an answer to its inquiry as to what American citizens should do to procure the authorization to sojourn in France provided by the Decree-Law of October 30, 1935. (Section I (b) of enclosure 19.)

He said he would again request the Ministry of War to furnish this information.

### ARTICLE 9 (1) OF THE NATIONALITY LAW OF AUGUST 10, 1927

Referring to the partial interpretation of this provision of law which the Foreign Office had given in its note of October 13 (enclosure

<sup>91</sup> Enclosures mentioned not printed.

21), Monsieur de Reffye was asked: "Under what circumstances does a French citizen, as a result of his naturalization in the United States, *ipso facto* divest himself of French nationality without the authorization of the French Government?" He replied definitely that any French citizen naturalized after the running of the ten year period mentioned in Article 9 (1) of the aforementioned law, if in good standing with the military authorities, automatically loses French citizenship under French law, as a result of such naturalization.

Monsieur de Reffye promised to confirm this in writing.

Asked as to the proportion of applicants who are able to obtain authorization to become naturalized abroad before the expiration of the ten year period, he replied that it is very small. (See last paragraph on page 5 of despatch 166, December 2, 1936.<sup>92</sup>)

Respectfully yours,

For the Ambassador:  
ADDISON E. SOUTHARD  
*Counselor of Embassy*

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<sup>92</sup> *Ante*, p. 136, paragraph beginning "In reply to these questions . . ."

## GERMANY

### POLITICAL DEVELOPMENTS IN GERMANY UNDER THE NATIONAL SOCIALIST REGIME; <sup>1</sup> THE FOUR-YEAR ECONOMIC PLAN

862.00/3577 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, March 8, 1936—8 p.m.  
[Received March 8—5:45 p.m.]

63. Following Hitler's speech of yesterday <sup>2</sup> Reichstag President Goering read the following message from Hitler :

"For the purpose of giving the German people the opportunity of being able to bestow their solemn approval on the 3-year policy concluded today of the restoration of the national honor and sovereignty of the Reich joined with upright endeavor for a true reconciliation and understanding of peoples on the basis of like rights and like obligations, I dissolve the Reichstag with the expiration of March 28, 1936. New elections to the Reichstag will take place on Sunday, March 29, 1936."

Goebbels <sup>3</sup> will open campaign by speech on March 10. It is generally considered that Hitler has been waiting the first available opportunity for a vote reaffirming his position. This affords a perfect occasion.

Repeated by wire to Paris, London; by air mail to Rome, Geneva, Moscow.

Dodd

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862.00/3584 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, March 30, 1936—noon.  
[Received March 30—10:50 a.m.]

99. The election yesterday resulted in a preliminary estimate, which will not be varied substantially, of 98.79 percent for Hitler, et cetera,

<sup>1</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 257-294.

<sup>2</sup> *New York Times*, March 8, 1936, p. 32. For correspondence regarding the Hitler speech of March 7 and the reoccupation of the Rhineland, see vol. I, pp. 180 ff.

<sup>3</sup> Joseph Goebbels, Minister for National Enlightenment and Propaganda.

out of 98.95 percent participation. There were 45,500,000 odd votes cast of which 45 odd million for Hitler leaving opposition and invalid votes combined of an odd 500,000 votes. The corresponding percentages for the previous votings were 90 percent out of 96.3 in 1933 and 89.15 percent out of 95.71 in 1934. Yesterday's figures are of course not representative of national feeling in the sense of a free election with an "open" opposition. In Germany there was not even an opposition ticket on the ballot. The so-called election was therefore merely a pledge from which it took courage to abstain let alone to vote against. Furthermore, the subject chosen was one which made it tragically difficult for even those hostile to the regime to oppose. For example, even the Catholic Church authorities counselled voting in the affirmative with certain rather pathetic mental reservations. The only organized opposition of which we have heard was that of the Communists. It is reliably reported that efforts have been made during the past week to distribute anti-Government leaflets and to put up anti-Government posters. We understand there have been some two hundred arrests of Communists in Berlin in this connection.

Without going into the merits of the case or trying to establish the real attitude of the country toward the regime or in favor of Hitler's action on March 7, the net of it is that this election gives Hitler at least the appearance of complete support for his present policy and represents a record vote in his favor and a correspondingly strong springboard for his next international move tomorrow, Tuesday.<sup>4</sup>

There is still no definite information on this although we are reliably informed that the question of an agreement not to fortify the Rhineland zone for a brief definitive period, say for six months, is being seriously considered. It is becoming increasingly evident that this is the real crux of the situation both from the near and long term view (see my 85 of March 18, 8 p. m.<sup>5</sup>).

Repeated to London, Paris, Rome, Geneva.

Dodd

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<sup>4</sup> On March 31, 1936, Germany offered a 19-point peace plan for political problems to be followed by a conference on disarmament and economic problems. For text, see British Cmd. 5175, Miscellaneous No. 6 (1936): *Correspondence With the German Government Regarding the German Proposals for an European Settlement, March 24-May 6, 1936*, p. 4.

<sup>5</sup> Not printed.

862.00/3594

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2762

BERLIN, April 14, 1936.

[Received April 22.]

Subject: Election Results.

SIR: In reference to the Embassy's despatch No. 2733 dated March 30, 1936,<sup>6</sup> concerning the subject noted above, I have the honor to report that the election having been duly declared as valid, the ballots have been destroyed and a total of 740 members now comprise the new Reichstag. As the old Reichstag had a membership of 661, a gain of 79 members is shown, and a total vote of approximately 44,400,000 is indicated on the basis of one electoral mandate for each 60,000 votes.

Special interest may be attached to some of the names on the new list, and the idea has been conceived, not without considerable foundation, that in the selection of the members the Party has had an eye towards the creation of a body which would represent not only Germany but "Great Germany," comprising "one hundred million souls of which only sixty-seven millions are living within the borders of the Reich." As evidence of this new element in the character of the assembly, the name of Dr. Heinrich Class, head of the Pan-Germanic League, is suggested. This League, founded in 1891, carried on as its program in foreign countries "the German national activities in all countries where members of our people were forced to struggle to maintain their German character" and they preconceived as their goal the reunion of all the Germans of the world.

In further support of the idea, the names of five irredentist renegades, three Austrians and two Sudeten Germans, may be pointed out on the list.

[Here follow short biographical sketches of the irredentists.]

Respectfully yours,

For the Ambassador:  
FERDINAND LATHROP MAYER

862.00/3602

*The Chargé in Germany (Mayer) to the Secretary of State*

No. 2940

BERLIN, July 14, 1936.

[Received July 23.]

SIR: I have the honor to report briefly on the general internal political situation in Germany prior to the Olympic Games.

<sup>6</sup> Not printed.



The state of domestic calm which resulted more or less from the concentration of attention on international affairs following the Rhineland occupation has been prolonged by the preparations for the Games. For the Nazis this year's Olympiad assumes all the importance of a foreign political drive to obtain the favor and approval of the outside world. Discipline has been enjoined by Party leaders on their followers, Dr. Goebbels has exhorted the population to receive the foreign guests in a spirit of hospitality and assistance, currency regulations, and informally even customs restrictions, have been relaxed in the visitors' favor, and the Berlin police have already begun to put on their best Olympic manners. While incidents will probably occur, it is obviously intended that they shall not be the Nazis' fault and it may be confidently said that woe will undoubtedly betide the Party enthusiast who yields to the temptation to assault a foreigner for failing to give the Hitler salute.

Behind the façade of political calm the process of National Socialist consolidation has, however, moved relentlessly forward. Unquestionably one of the most important developments in this connection was the appointment of Herr Himmler to be national police chief. Himmler will probably make the radical influences which he represents felt in internal policy later on but at the same time his occupation of such a position of power should also provide a guarantee for continued order inasmuch as enemies of the State and Party discontents may well hesitate to try conclusions with a security organization as efficient and as ruthless as his has proved to be. Even before his recent appointment Himmler appears to have been busy carrying out a "cleansing action" on a wide front. It is now generally known that during the month of May he expelled from the picked troops of the S.S.,<sup>†</sup> the *Verfügungstruppen*, some 250 or 300 men found guilty of drunkenness, immoral conduct or political unreliability. From a well-informed foreign source which has been making a study of the question, it is learned also that a quiet roundup has been in progress of active Communist and Social Democratic elements. It is said that since the beginning of the year some 1,600 persons have been tried on political charges, the majority of those convicted receiving what would appear to be the more or less standard punishment of two years penal servitude. Sentences of death have been sporadically announced and only last week sentence was passed upon Edgar André, once prominent as a Communist leader in Hamburg.

Another example of Himmler's efficiency may be cited in the extraordinary precautions which, it is reliably stated, are now being taken to ensure Hitler's safety. These precautions are becoming increasingly evident with each of his public appearances and have

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<sup>†</sup> Schutzstaffel.

reached a point it is said where every town at which he stops has thrown about it a cordon of S.S. men linked to the center of the town by field telephones to enable them to take possession in the event of trouble. Rumors are current that Julius Schreck, the Führer's chauffeur who was recently given a State funeral, was shot by mistake for Hitler and furthermore, that a band known as the "Röhm avengers" is active, but whether these reports contain sufficient truth to account for present precautions remains for the moment a subject of speculation.

A tendency which is not novel but the accentuation of which has become particularly marked is the subjection of the country to practically a military regime. It has just been announced that all men under 45 years of age who have had any kind of military training and who have left the Army since January 1, 1921, will be required to register themselves with a view to their possibly being called up for duty. In addition to Göring and Blomberg, who are regular members of the Cabinet, General von Fritsch, Admiral Raeder, and now Herr Himmler have access to that body so that the latter may be looked upon more as a council of war than a civil cabinet. Attention may also be called to the series of new laws reported in despatch No. 2937 of July 14, 1936,<sup>8</sup> going forward with this pouch, which relate to the protection of military material and the inviolability of official secrecy. Herr Himmler may be expected, moreover, to carry through his idea that one of the functions of the S.S. is to prepare for the mobilization of the "home front." A qualification to the impression these tendencies create may be added, however, in the explanation that it is perhaps natural for Germans to approach most problems from a military point of view.

The conflict between the Churches and the State remains relatively quiescent owing probably to the imminence of the Olympics and the illness of Church Minister Kerrl. As was expected, the Confessional Evangelical Opposition has received no reply to the strong memorandum on State interference and the de-Christianization of the youth, which it addressed personally to Hitler. A synod was held in Brandenburg in the latter part of June, as forecast in the Embassy's despatch No. 2863 of June 4, 1936,<sup>9</sup> but in view of Herr Kerrl's illness and the absence of further molestation from the Secret Police it was decided to let well enough alone and to await renewed State aggression before taking any action. The Catholics are suffering considerable embarrassment from the current series of immorality trials which to date have resulted in the conviction of some thirty monks. The Nazi papers let no opportunity pass to emphasize that these practices were called some time ago to the attention of the competent Church authorities who, however,

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<sup>8</sup> See political report, *infra*.

<sup>9</sup> Not printed, but see despatch No. 2949. July 21. 1936, from the Chargé in Germany, p. 168.

failed to take the proper steps to put an end to them. In Catholic circles there is present a very real fear that one of the rallying cries of this year's Party Congress may be the dissolution of the Catholic orders or their submission to rigid State control.

In general it may be said that the present state of feeling in the country is exceptionally good. The public are grateful for an interval of comparative political peace and they are undoubtedly impressed by Hitler's foreign successes as well as by the prospect of the Olympic Games. An authority who has every reason to be critical, having once been a prominent Social Democratic labor official, states it as his opinion that the greater proportion of the workers have been won over to National Socialism, including those who were formally nominally Communists and excepting only a very small minority who were Communists by conviction. He declared that this was particularly so in the case of the large enterprises profiting from rearmament and other State contracts which are able to treat their workers in magnanimous fashion. The pinch, however, was felt by workers in the smaller independent firms operating on a reduced margin of profit which have been forced to scale down real wages in one way or another, the resultant loss to the employees being hardly compensated for by the Socialistic benefits offered by the State "Strength through Joy" organization.

It has been suggested that various sorts of spectacular happenings may be expected to follow the Olympic Games. As surprise is one of the elements of Nazi success, it would be rash to offer any predictions as to what form they may take. In addition to the more actual question of the Catholic orders there is always of course the perpetual problem of the Jews<sup>10</sup> upon which the Nazi radicals may once more be tempted to try their teeth, particularly as the Gustloff case<sup>11</sup> and the possibility that the murderer may be brought to trial in Switzerland early this fall may offer excuses for re-opening the issue. It is perhaps pertinent to ask whether Hitler may not offer the Party extremists some compensation in internal policy for his repudiation of the National Socialist cause in Austria.

One issue which it has been rumored may be brought forward in the September Party Congress is the need of further "politicizing" the people. There are good grounds for believing that the Party ranks will be opened for the admission of a few new and trusted members, but more important still are reports that every person racially qualified to be a "citizen" will be required, in order to obtain his "certificate of citizenship" or *Staatsbürgerbrief* (a document not yet introduced but featured prominently in *Mein Kampf*), to prove his

<sup>10</sup> For correspondence regarding the persecution of Jews, see pp. 192 ff.

<sup>11</sup> Wilhelm Gustloff, Nazi group leader in Switzerland, murdered there on February 4, 1936.

association with National Socialism either through membership in some Party organization or by specific acts. Should this idea be carried out it will be a concrete application of the tendency discussed in the Embassy's despatch No. 2867 [2869] of June 4, 1936,<sup>13</sup> which appears to be seeking to develop the nation along the lines of a "People's State" rather than a primarily "Party State."

Respectfully yours,

FERDINAND LATHROP MAYER

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862.00 P.R./202

*Extract From Political Report of the Chargé in Germany (Mayer)<sup>14</sup>*

2. *Important New Legislation.* Among the series of laws passed by the Cabinet at its last meeting on June 19 before the summer vacation are two amendments to the Penal Code which are of supreme interest as illustrating the national state of emergency, almost similar to that prevailing in other countries in wartime, which at present exists in Germany.

The first amendment applies to cases of willful damage to military material. There is already a law on this subject but it provides protection only for material in use and in the actual possession of the Army. The new law renders punishable the destruction or impairment of any sort of material, in preparation or already completed, which might be considered as useful to the country's defense or affecting the striking power of the Army. As the Army in a certain sense has a right of eminent domain over property in Germany (see Embassy's despatch No. 1916 of August 9, 1936 [April 9, 1935],<sup>15</sup> regarding the dispositions it may make of private real estate and of the general landscape), "material" might be interpreted to mean roads, bridges, landmarks, earthworks, etc. Punishment is also stipulated in the new law for the willful provision to the Army of defective supplies. The penalties envisaged include imprisonment for a period of not less than three months, and in serious cases penal servitude for life, or death.

The second important amendment broadens and generalises the obligations of secrecy resting upon public officials. In the former text of the penal code these obligations were limited to specific cases, such as military and highly confidential information (as for instance tax matters), the inviolability (since become theoretical) of the mails, telephone and telegraph. Now, however, punishment (imprisonment

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<sup>13</sup> Not printed.

<sup>14</sup> Transmitted to the Department by the Chargé in Germany in his despatch No. 2937, July 14; received July 23.

and in serious cases penal servitude up to ten years) will be meted out to any official or former official who in the exercise of his office has betrayed a secret which endangers important public interests or has disclosed to unauthorized persons the contents of an official document designated as "Confidential." An "official" in the sense of the law is not only an ordinary public official but any person bound to public service by contract. Private persons, moreover, who circulate or pass on an official secret, with full knowledge of its character, will likewise be punished. Prosecution is to be initiated by the heads of the departments concerned, in agreement with the Minister of Justice.

In actual fact, the purposes the law seeks to accomplish are not new as they have for some time been pursued by different means, chiefly through action by the Secret Police, as witness the fate last year of two German journalists who divulged to foreign colleagues the contents of the Propaganda Ministry's secret press instructions (see Embassy's despatch No. 2334 of September 25, 1935<sup>15</sup>). The reduction to law of these somewhat informal methods of terrorism will not render any easier the contact of foreigners with German public officials.

A third amendment renders punishable by imprisonment neglect or failure to inform the proper authorities of instances of high treason, damage to military material, attempts upon life, counterfeiting, robbery and acts dangerous to the community of which any one person may have cognizance.

On June 29 there was promulgated an ordinance amending the Defense Law of May 21, 1935. (See Embassy's despatch No. 2000 of May 27, 1935.<sup>16</sup>) In order to reconcile this law with the Nuremberg racial legislation of September 15, 1935,<sup>17</sup> Article 15 of the former now reads:

"(1) A Jew can not perform active service.

(2) Jewish cross-breeds can not become officers in the Defense Forces.

(3) The service of Jews in time of war may be prescribed by special regulation."

The provision in the former text of Article 15 regarding the marriage of soldiers with Jews is deemed to be automatically regulated by the Nuremberg Law with respect to marriage.

A second amendment cancels paragraph 2 of Article 12 of the Defense Law which envisaged a special regime for the "demilitarized zone" in so far as recruits residing there were required to report to the civil instead of the military authorities.

<sup>15</sup> Not printed.

<sup>16</sup> *Foreign Relations*, 1935, vol. II, p. 270.

<sup>17</sup> *Ibid.*, pp. 406-408.

The activity of the commission engaged on a fundamental revision of the Penal Code continues to arouse interest (see Embassy's despatch No. 2917 of June 29, 1936<sup>19</sup>) and it now appears from a supplementary report of a certain Landgerichtspräsident Dr. Leimer published in the *Berliner Tageblatt* of July 11 that the revised code will contain a special section on "Disturbance of the People's Peace" which will render punishable by imprisonment, or in serious cases two years penal servitude, attempts or actions tending to spread terror or anxiety or to stir up sections of the population against each other. (It is hardly to be expected of course that this will cover authorized campaigns of hatred against the Jews or the Catholics.) In Dr. Leimer's commentary particular mention is made of the spreading of "false" rumors respecting a food shortage, the instability of the currency, the menace of inflation, and the outbreak of strikes or revolutions in Germany. The malicious intent of the act would be beside the point and the simple fact that such rumors had occasioned widespread concern would be sufficient to incur punishment. It is also proposed that the mere circumstance of connection with groups hostile to the State should be punished and that the excuse of drunkenness in mitigation of an offense be set around with severe reservations.

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862.2222/33 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, September 11, 1936—4 p.m.  
[Received September 11—1:47 p.m.]

278. My 276, September 10, 7 p.m.<sup>19</sup> Yesterday's meeting of the party rally at Nuremberg and devoted almost entirely to attacks on Bolshevism with which Jewry was definitely identified, carried on the theme inaugurated by the implications of Hitler's proclamation and his "kultur" speech of September 9.<sup>20</sup>

The extraordinarily sharp and searching statements by Goebbels and Rosenberg<sup>21</sup> in combination with Wednesday's speeches afford an excellent basis for Hitler to develop his position along the several following associated lines and as a justification for any action he may take thereafter respecting rearmament, anti-Bolshevism, anti-Semitism, further "sacrifices" by the Germans in pursuing the new four years' plan, et cetera. Defense of Europe against Bolshevism consorts

<sup>19</sup> Not printed.

<sup>20</sup> See Royal Institute of International Affairs, *Documents on International Affairs*, 1936, pp. 290 ff.

<sup>21</sup> Alfred Rosenberg, editor of *Voelkischer Beobachter*.

readily with the consolidation of Eastern Europe under German leadership (see second paragraph, page 5 of Embassy's despatch No. 3019 of September 3.<sup>22</sup>)

Certain observers feel that the particular vehemence of the two speeches yesterday was especially directed toward enlightenment of French public opinion in particular concerning the Bolshevik menace with a view to undermining the Franco-Soviet alliance.<sup>23</sup>

As has been frequently expressed to us this morning, it would seem difficult for the Soviet Embassy to remain in Berlin with any dignity after the violent frankness of Goebbel's polemics and Rosenberg's statistics on the Jewish make-up of the Bolshevik regime and the pitiless revelation of the tie-up between the Comintern and the Soviet Government.

Copies to London, Paris, Rome, Geneva, Moscow.

DODD

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762.00/131

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 3047

BERLIN, September 18, 1936.

[Received September 29.]

SIR: In recent reports we have endeavored to give the Department contemporary outline of Germany's position in the complex state of affairs which has enveloped Europe during the past few months, with special reference to the conflict in Spain and the German campaign against Bolshevism. As Germany's further moves on this check-board of events will be governed to some extent by her confidence in her own unity and strength, it may be of interest to the Department to have a few observations on the state of feeling among the German people toward a possible armed conflict.

To review oft-repeated questions: What would be the reaction of the German people to a declaration of war by the German Government? Would not the loyalty of the Reichswehr be doubtful? Would not the population, mindful of the horrors and privations of the last war and of Hitler's frequent pledges of peace, rise up in revolt? Would not the thousands of irreconcilable Communists and Socialists, not to mention the remnants of Röhm's SA<sup>24</sup> followers and the embittered Nationalists, welcome the opportunity to settle old scores? Might not civil war ensue?

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<sup>22</sup> Vol. I, p. 337, paragraph beginning "Curiously enough, the German situation . . ."

<sup>23</sup> Treaty of Mutual Assistance Between France and the Union of Soviet Socialist Republics, signed May 2, 1935; League of Nations Treaty Series, vol. CLXVII, p. 395.

<sup>24</sup> Sturmabteilung.

Two years ago many observers would have been inclined to answer these queries in the affirmative. The Reichswehr was then in a state of reorganization, and there was strong friction between the militarists of the old school and the strutting SA and other Party groups; the St. Bartholomew of June 30<sup>25</sup> and the ignominious failure of the Austrian *Putsch* a scant month later<sup>26</sup> were still fresh in the minds of the people; the reestablishment of universal military service and the remilitarization of the Rhineland were dreams yet to be realized.

But the situation has changed since then, and a people so susceptible to the influence of mass suggestion is apt, under the spell of alluring promises held out by clever propagandists, to forget the less pleasant events in its existence. And here the resourcefulness of a marvellously organized Ministry of Propaganda has been of indisputable value. With absolute control of the press, radio, films and theatre, a systematic campaign of propaganda was inaugurated to break down the resistance of "doubting Thomases" and to strengthen the enthusiasm of those already converted to the new order. (We need not mention certain other measures of "persuasion" resorted to by groups not having the subtle facilities of the Propaganda Ministry at their disposal.) The workmen were to be endowed with special blessings; class hatreds were no longer to exist, employers and employees were to become a harmonious brotherhood; wages could not be increased until unemployment was reduced, but the workers were to receive other benefits of a finer nature. And this was done. Under the joint direction of the Labor Front and the Propaganda Ministry, tours and excursions were organized for the workers, whole fleets of ships and omnibuses being maintained by the Kraft Durch Freude organization for this purpose. Thus, workers who never before had set foot upon a vessel more pretentious than the small excursion craft plying the lakes around Berlin, were taken, for a small sum, on voyages to Madeira, Portugal and the Northland Fjords on modern liners with all comforts and conveniences. Special theatres were established for the poorer classes, or tickets made available to them at greatly reduced prices for other theatres or the opera; all-day outings, week-end excursions and other forms of recreation and entertainment were provided.

The friction between the Reichswehr and the SA and other semi-military groups was ironed out by making a drastic reduction of the forces of the latter; the feverish activity of rearmament with the attendant stimulation in many branches of industry, the construction of highways and other Government-financed projects furnished jobs for hundreds of thousands. There returned a semblance of prosperity,

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<sup>25</sup> See *Foreign Relations*, 1934, vol. II, pp. 229-243.

<sup>26</sup> See *ibid.*, pp. 29-47.



however artificial; the people again had money to spend; theatres, cafés and restaurants became crowded, the trains filled as not before in years with vacationists traveling to the seashore or the mountains. For a people who had for years been groping in the dark, uncertain of the future, a new dawn had awakened. This was existence as Hitler had promised it; this was the New Reich that would grow even stronger and more invincible under the guidance of a Fuehrer who had had the courage to scrap the Treaty of Versailles and to restore to his adopted country the sovereignty which was its due.

In all this the Ministry of Propaganda played an important part. With steam-roller effectiveness, its activities reached out into every corner of the Reich, into every walk of life. The German press, radio, films and theatre were placed under its direct control and subjected to its instructions; foreign newspapers, if too literal in their views of German affairs, were immediately banned; foreign films were rigidly censored. The German radio, the Ministry's most effective medium of propaganda, was taken in hand and so carefully nourished that it now has—according to published statistics—seven million subscribers, as against four millions in 1932. This could not fail to have effect.

Of course there is still discontent. The price of living has increased, whereas wages have not; periodic scarcities of meats, butter and eggs have brought on grumbling; many small shopkeepers have been forced out of business because of increased taxation and Party levies; and the Communists' underground work has not been completely stamped out. But this sort of opposition can never become effective as long as it is not organized; and the secret police do not tolerate attempts in this direction. Serious economic disturbances, with increasing sacrifices on the part of the people, would aggravate this discontent and might even lead to attempts at open resistance, such as strikes or plundering of shops. The experience of June 30, 1934, however, causes one to believe that such resistance would be short-lived.

In order to sum up the attitude of the German people to a contingency such as that mentioned at the beginning of this despatch, certain additional factors should not be overlooked.

1. The psychology of the German people, which adapts them admirably to organization and, by virtue of the same reason, to follow without hesitation a leader strong enough to dominate them.

2. The vital personality of Hitler, supported by his actual achievements and the halo of mysticism built up around him by Goebbels and other leaders.

3. An inherent love of militarism and the glorification of military deeds, revived by Nazi propagandists and cleverly stimulated by the spectre of foreign invasion. Any doubt of this spirit may be removed

by observing a twelve-year-old Hitler Youth issuing commands to his squadron.

4. Room for expansion and need of colonies; dreams of a Mittel Europa. An issue regarded by most Germans as inevitable and justified on the grounds of economic necessity and the invalidity of the Versailles Treaty. We have seen—and the German people have seen—the impotency of the League of Nations or any other force to hinder Japan's annexation of Manchukuo or Italy's conquest of Abyssinia.

If a conclusion may be based upon these observations, it seems safe to assume that Hitler, for the present at least, can count upon the support of an overwhelming majority of the German people in any venture he might undertake, whether it be one of outright conquest or one cloaked in the guise of repelling an invader.

Respectfully yours,

WILLIAM E. DODD

862.00/3610

*The Ambassador in Germany (Dodd) to the Secretary of State*

[Extracts]

No. 3062

BERLIN, September 24, 1936.

[Received October 9.]

SIR: Referring to the Embassy's despatch No. 3054 of September 21, 1936,<sup>27</sup> I have the honor to report on certain aspects of the Seventh Congress of the National Socialist Party, designated the "Congress of Honor," held in Nuremberg from September 7-14.

*Conclusions.*

Although this year's Congress brought forth little essentially new, it may be regarded as important as presenting a picture of what Germany is today. Nazi action is usually brought forth with a dramatic swiftness and excitement which occasionally tend to a distortion of perspective and the lack of it this year yielded a certain advantage in providing a more serene atmosphere in which to contemplate the changes wrought after almost four years of National Socialist dominion.

During this period the National Socialist leaders have put into effect enough of their original program to be taken at their word that despite all discouragement they are bent upon having their way completely, and Hitler has shown sufficient determination of purpose to lead to the belief that when he speaks his will it shall eventually be done. The fact that action does not always immediately follow the

<sup>27</sup> Not printed.

announcement because frequently influential opposition arises, is in a sense deceptive. National Socialists think in terms of not one but of succeeding generations and realize that they can afford to wait their moment. Attrition of opposition followed by the perfectly timed final blow has been the method followed in the past, and a remarkably successful one it has proved considering the relatively few explosions produced during and after the revolution. The process by which Germany is being transformed may be likened to the rebuilding of a railway bridge while in actual use. A supporting pillar is removed to be replaced by another until finally and imperceptibly the entire structure is new. It is no exaggeration to say that as far as the German youth is concerned, the pillars of Christian morality and individual conscience have already been replaced by a supreme loyalty to Germany and its accepted leaders.

By his own confession Hitler is a Socialist and it is not unlikely that the form of authoritarian Socialism peculiar to the dictatorship will be intensified to force submission to the sacrifices demanded by the execution of the military and self-sufficiency programs. To the extent of compelling obedience to his purpose of making Germany powerful and united Hitler must be regarded as a radical in internal policy and there can be little doubt concerning the sincerity of his denunciation of "bourgeois" opposition, or rather indifference. The quicker the pace is accelerated, as it has been through the lengthening of the military service period, and the greater the difficulties may perhaps become, the more the Army, which once looked askance at the excesses of the Party, and which at one time was deemed to furnish support to those conservative elements interested in the issue of personal liberty, may be expected to rely upon the latter to keep the population in political alignment. A firmer basis of mutual respect appears to have developed between the Army and the Party: on the one hand through reverence for the common leader, Hitler, and through the Army's realization of the Party's utility; and on the other, by virtue of the Party's admiration of the Army as the instrument whose growth has made possible Germany's foreign successes and which is looked to eventually to furnish more. In a certain sense the latest measure of prolonging the conscription period may be regarded as serving almost equally well the Party's interests as those of the Army; assuming that technical training will not be allowed to suffer in view of its importance to the development of military might, the longer service term will discourage in greater measure a visitation of the youth to the universities and thus the survival of an intellectualism which is the deadly enemy of National Socialism.

By its title, "the Congress of Honor", the rally might have been expected to imply an acknowledgment that Germany had attained its

status of equality. On the other hand, the possibility of a "colonial demand" was spoken of and the anti-Bolshevist campaign, the more so because of the inconsistency of the repeated declarations that Germany had nothing to fear from that quarter, bears testimony to a restlessness of spirit seeking expression outwards which characterizes Germany under National Socialist rule.

Respectfully yours,

WILLIAM E. DODD

862.00/3612

*The Ambassador in Germany (Dodd) to the Secretary of State*

[Extracts]

No. 3063

BERLIN, September 24, 1936.

[Received October 9.]

SIR: With reference to the Embassy's despatch No. 3054 of September 21, 1936,<sup>28</sup> enclosing the text of Hitler's proclamation of September 9 at Nuremberg, I have the honor to submit certain observations upon the new four-year plan now proposed for Germany.

1. *Essentials of Hitler's declaration:* The essential stipulation of the new economic plan now proposed is that Germany must in four years be "completely independent from other countries in regard to all materials which can in any way be produced by German skill, German chemistry and German mining." This plan will, Hitler declared, be carried out with Nazi energy and action, and the necessary regulations have been decreed. Having said this, however, neither in Nuremberg nor subsequently have either the broad outlines or the details of how this program will be put into effect been revealed. No decrees in execution of this proclamation have thus far been issued. In fact, the outstanding characteristic of the proclamation is this lack of explanation of how the obvious gaps in German raw material and foodstuff economy can be bridged.

A close reading of the proclamation will divulge that evidently Hitler himself does not expect that the program will altogether free Germany from the necessity of importing, as he immediately modifies its scope by expressing the belief that through this plan Germany will be able to "increase still further the national production in many spheres" and thereby "reserve the proceeds of exports . . .<sup>29</sup> for the provision of raw materials which will even then be lacking." These limitations, combined with the present state of uncertainty as to the details of the program, certainly tend to take the edge off the latest

<sup>28</sup> Not printed.

<sup>29</sup> Omission indicated in the original despatch.

Nazi economic sensation which was delivered with the customary party and press packing.

3. *Estimate of present status of plan:* To date no further official mention has been made concerning this plan and the press has virtually ceased to comment on it.

With respect to the official attitude, after a certain amount of discreet investigation, I have the distinct impression that this proclamation does not represent the fruit of careful preparatory work by the Economic Ministry or other competent organs, but is rather an improvisation hastily constructed for the Party Congress. This impression is confirmed by the delay in issuing any concrete plan of operation and by the present tendency of the press to ignore the whole matter. The proclamation, however, may have a certain political significance in the drive for colonies as it is the first instance in which German economic difficulties have been so publicly paraded. On the other hand, it may develop into an attempt to exploit German economic and financial weakness along the lines which Dr. Schacht<sup>30</sup> has employed so successfully in the past. This would not seem to imply, however, that Germany does not intend to render itself as independent as possible from foreign raw materials and foodstuffs, and on this point the proclamation may be taken at its face value.

Respectfully yours,

WILLIAM E. DODD

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862.00/3616 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, October 20, 1936—6 p.m.  
[Received October 20—2:50 p.m.]

308. In a decree published this morning Hitler charged Goering<sup>31</sup> with the execution of the 4 year plan of economic self-sufficiency announced at the Nuremberg Congress. Goering is authorized to issue decrees and instructions to all officials for the purpose of putting this program into effect.

Contrary to the press reaction last April<sup>32</sup> the press this time immediately burst forth in approval of this action which the *Völkischer Beobachter* without once mentioning Schacht's name interprets as placing all economic power in Goering's hands and

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<sup>30</sup> Hjalmar Schacht, German Minister for Economic Affairs.

<sup>31</sup> Hermann Goering, German Minister for Aviation.

<sup>32</sup> In April 1936 Goering was given authority over all raw materials and foreign exchange questions.

emphasizes particularly that he will be supreme in all questions of economic policy. This decree has naturally given rise to many rumors concerning the position of Schacht but after canvassing various sources it is not believed that his retirement is imminent or that any radical alterations of his present system are at present envisaged. In this respect a parallel may be drawn between this situation and that of last April. See Embassy's 121, April 28, 6 p. m.<sup>33</sup>

On the other hand from surface indications the increasing insistence of Left Party members on a more radical program with greater emphasis on the necessity for Germany's economic self-sufficiency and greater industrial control may result in diminishing Schacht's essentially dictatorial economic powers. Even if this proves to be the case it is generally thought that he would remain as the technician.

In certain quarters it is also believed that the military aspects of the 4-year plan are assuming greater significance and that the army may possibly be taking added interest in the execution of the program particularly as a step toward industrial mobilization.

However much of the comment at this time is obviously speculation and the real significance of this decree will only appear when the actual details of the plan are known and when the conditions upon which it will be put into operation are clarified.

DODD

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862.00/3624

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 3120

BERLIN, October 29, 1936.

[Received November 6.]

SIR: Referring to the Embassy's telegram No. 313 of October 24, 1 p. m.,<sup>33</sup> I have the honor to transmit a translation of a communiqué issued by the Deutsches Nachrichtenburo under date of October 23, 1936,<sup>33</sup> which incorporates the most important parts of the decree of the same date concerning the execution of the Four Year Plan. This decree is issued by Goering in his new capacity of "Commissioner for the Four Year Plan" and establishes the broad outlines of the organization through which the execution of this policy is contemplated.

It will be observed that Dr. Keppler, former special adviser to Hitler on economic matters, will be charged with the planning and carrying out of the manufacture of industrial fats and in addition will act as personal adviser to Goering on questions relating to the production of German raw materials. As has been pointed out in recent telegrams,

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<sup>33</sup> Not printed.

Dr. Keppler is generally considered to represent the views of left-wing Party economists who favor the promotion of German economic autarchy at all costs and who are believed to have induced Hitler to bring forth this policy at Nuremberg, probably without prior consultation with Dr. Schacht. The latter, it will be noted, is not mentioned in the decree but as "financial matters" and the "distribution of raw materials" will be handled in collaboration with Reich Ministry of Economics, it is reasonable to assume that adequate provision has thereby been made to receive the views of Dr. Schacht. That these views, particularly as they may relate to the necessity of foreign trade for Germany, will not entirely coincide with Dr. Keppler's is a foregone conclusion. Consequently, it is generally expected in Berlin that a conflict between these two personalities will sooner or later ensue over the development of the Four Year Plan, particularly in such fields where increased costs may lead to diminishing exports.

In this connection it is interesting to note that the section entitled "Production of German Raw Materials and Producers' Goods" will be under the direction of an army officer, Lt. Colonel Loeb of the General Staff. In many respects this can be considered to be the most important section of the new organization and that it should be entrusted to [a] military official is witness to the interest which the Army is taking in this policy. On the other hand, Dr. Schacht through his policy has been able to provide the necessary raw materials for the rearmament program and is generally considered to enjoy the confidence and support of the War Ministry. It may well be that in the execution of this program the Army will act as a balance-wheel between conflicting viewpoints. As a general policy, it would no doubt favor making Germany as completely self-sufficient as possible or more particularly to provide the equipment for possible self-sufficiency in time of war. However, in face of the many natural difficulties involved in this undertaking, it is not to be assumed that the Army is now prepared to scrap Schacht's policy which has provided it with the necessary material in favor of a plan whose immediate and complete success is by no means assured. Therefore, its position is seen to be a middle one.

Finally, it will be noted from the decree that new departments will only be established where absolutely necessary. This is taken to mean that there will be no new and elaborate organization set up which will be dominated by Party officials determined to push the program through at any cost. Also, by the same token, Dr. Schacht, through the Reichsbank and the Ministry of Economics, will continue his influential role in the formulation of German economic policy. This opinion, that Schacht's prestige and influence have not been diminished by recent events, is freely expressed by many well-informed persons

in Berlin who also believe that the transfer of Keppler and his subordination to Goering will eventually serve to strengthen the influence of the Reichsbank President.

Respectfully yours,

WILLIAM E. DODD

862.00/3621 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, October 29, 1936—1 p.m.  
[Received October 29—10:55 a.m.]

318. Goering in a long speech last night before virtually all high officials of the regime including Schacht opened the campaign to push through the 4 year plan. He defined the plan as the "security of German honor and German life". "Germany must have raw materials and would get them".

The general justification for the plan was to the effect that German colonies had been stolen and now foreign countries were proposing that Germany buy raw materials and pay for them in gold but these countries had stolen all German gold. Consequently Germany was forced to adopt this new plan. There were frequent remarks to the effect that this had been forced on a Germany which would prefer the give and take of a normal international trade. For example, "In the near future new factories will grow up in which we make our own clothing from cellulose fiber, in which case we no longer need cotton which today costs us millions in foreign exchange. We would gladly take it, we would renounce all that if foreign countries would understand that no one can encircle us, that no one can bind us. We could do more fruitful work and it would be simpler for various reasons to trade from nation to nation in a world of reason and understanding and of economic principles and to exchange goods than to be left in this mediaeval world to our own resources".

As to specific measures Goering cited the following: increased food supply through fertilizer and organization of harvest labor, increased use of fish to make up meat shortage, more whale oil for oleomargarin, increased production of synthetic rubber, artificial textiles and mineral oil from coal, greater use of new alloys; prevention of waste. As higher wages are not possible prices must be fixed and food cheapened for the poor. Consequently a price commissioner had today been appointed by Hitler (identity not yet disclosed). There were repeated appeals to the population to endure minor privations for the success of the plan.

Speaking of and to straining industrialists Goering declared that the "freedom of initiative" they demanded is here accorded them and they should take advantage of it and not await government instructions.



The past achievements of Schacht and Keppler were referred to. On the whole the tenor of this address was along the lines indicated in the Embassy's 310, October 23, 1 p. m.<sup>35</sup>

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862.50 Four Year Plan/11

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 3203

BERLIN, December 24, 1936.

[Received January 9, 1937.]

SIR: I have the honor to enclose a clipping<sup>36</sup> from the London *Times* of December 18, summarizing an article written for the *Deutsche Bergwerkszeitung* by a certain Colonel Thomas who discusses the military aspects of the Four Year Plan.

This article offers a certain confirmation of the theory advanced in the Embassy's despatch No. 3129 of November 2, 1936,<sup>35</sup> concerning the role that may have been played by the War Ministry in the conception and execution of the Four Year Plan. It lays especial stress upon the management of labor under war conditions, a subject to which it is known that the War Ministry has devoted considerable thought in the realization that the improper handling of the labor situation during the years 1914-1918 constituted an important element of weakness and was a mistake which at all costs must be avoided in the future. Probably no one realized this better than the late General von Schleicher who sought to build up a strong military state with the parliamentary backing of the trade unions.

On the afternoon of December 17, there was held in the Preussenhaus in Berlin a semi-secret conference on the Four Year Plan. The assembly, which in all numbered some 300 persons, was composed of representatives of industrial groups, of high Party leaders and officials from the Economic and Labor Ministries as well as from the Labor Front. On the evening of the next day the semi-official Deutsches Nachrichten Büro issued a somewhat unilluminating communiqué to the effect that Göring had stressed the mission of the German economic system to serve the interests of the whole community and that therefore in contrast to outmoded individualistic economic principles this aim compelled universal obedience. It is reported that the Führer made a surprise visit to pay Göring a tribute as a man who did not know the word "impossible", and to appeal to all groups to

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<sup>35</sup> Not printed.

<sup>36</sup> Not reprinted.

align themselves behind him in the task of fulfilling the Four Year Plan.

From a well-informed private source it was learned that Göring actually spoke about two hours in his most unrestrained style. It appears that he declared in effect the government's determination to proceed with the re-armament program to the full limit that was possible, that the need for effective military self-sufficiency transcended considerations of the economically practicable, and that therefore industry as well as the workers and the people must be prepared for further sacrifice. In the course of one of his numerous digressions we are reliably informed that he declared with that fanatical irresponsibility characteristic of many of Germany's present day rulers that "the day would come when the Austrians would deem it an honor to be given the Hitler salute". It is understood that this remark was at once reported back to Vienna where it had the reaction that might be expected in Austrian government circles.

Respectfully yours,

WILLIAM E. DODD

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RELATIONS OF THE NAZI REGIME WITH THE EVANGELICAL AND  
ROMAN CATHOLIC CHURCHES \*\*

862.404/174

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2622

BERLIN, January 23, 1936.

[Received February 1.]

SIR: With reference to the Embassy's telegram No. 15 of January 15, 3 p. m.,<sup>39</sup> I have the honor to report that German Church affairs appear to have lapsed back into their customary confusion.

As seems to be inevitably the case, and as Church Minister Kerrl seems to be sufficiently aware of the utility of the method to employ it in his tactics, the recent conciliatory attitude on the part of the State has produced a split in the ranks of the Evangelical opposition. It is understood that Bishop Meiser of Bavaria, a leader of the moderate Lutheran element in the Confessional movement, has informed his pastors in a circular that he intends to support the Church Minister and his official committees. This action, it is expected, will widen the breach in the Confessional Front that became apparent in a meeting of the Reich Council of Brethren early in the month when the militant wing of the opposition brought forward a question of lack of confidence in the leadership of Bishop Marahrens of Hanover, head of the Confessional Provisional Administration and likewise a

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\*\* Continued from *Foreign Relations*, 1935, vol. II, pp. 342-376.

<sup>39</sup> Not printed.

Lutheran moderate. Upon being defeated by the narrow vote of 17 to 13, this group requested that a Reich Synod be held to pass upon the question. It is understood that tentative plans have been made to hold the Synod early in February at Bad Oeynhausen in Westfalia.

The radical section among the Confessionals, consisting principally of certain leaders of the Church of the Old Prussian Union and of the West German Reformist Church, appear to be entrenched behind the belief that cooperation with the Church Minister is utterly impossible and that defiance of State intervention to the bitter end is their only course. This body translated their belief into action last Sunday by distributing copies of a pamphlet exposing the methods of governmental interference under the title "The State Church is There." Bearing the name of Pastor Niemöller of Dahlem but in reality written by another militant leader, Otto Debelius, the pamphlet reproaches those Confessionals who have cooperated with the Kerrl ecclesiastical regime which, it is claimed, has "politized" the Church and is kept in authority only by the Secret Police. The charge against the State of flagrant interference is supported by references to the teaching of the Hitler Youth and to the fact that members of the S.S. are encouraged to abandon the Christian faith.

Later in the day the pamphlet was confiscated by the Secret Police who also carried on a search for additional copies in the houses of suspect pastors. This action appears to have stiffened the resistance of the militant wing who are reported to have anticipated the deliberations of the projected Synod by informing Kerrl that they stood alone as a group and that the administration of Bishop Marahrens, with which Kerrl has been negotiating, no longer speaks for them. It is also learned that they intend to proceed with the distribution of some 100,000 copies of the forbidden pamphlet which have so far escaped confiscation.

Developments in the Catholic sphere are obscured by the close secrecy surrounding the recent meeting in Fulda of the Cardinal-Archbishops (who were later joined by all the German bishops with the notable exception of the Bishop of Meissen who, it will be recalled, was convicted and fined in one of the currency smuggling trials). There are unconfirmed rumors of a difference of viewpoint having arisen on the one hand between Cardinal Bertram of Breslau and Cardinal Faulhaber of Munich, who are supposed to advocate unbending resistance to Nazi interference, and Cardinal Schulte of Cologne and Bishop Preysing of Berlin on the other hand, who are understood to have considerable personal confidence in Hitler. It appears at any rate that two pastoral letters were drawn up. One of these, which was read last Sunday, seems to have been an attempt to meet Nazi race doctrine halfway by advocating "healthy mar-

riages." It is said that the second letter, which may be published this coming Sunday, probably deals with larger questions affecting the relations between Church and State. The communication is awaited with considerable interest for the indication it may give as to which of two conjectured policies will be followed, that is, either stiffened defiance, or an attempt at conciliation through a renewal of the suspended negotiations concerning the application of the Concordat,<sup>40</sup> which many Catholics appear to feel is the best method by which the Church, in its present compromised position, can avert further State aggression.

While a disposition toward conciliation seems to exist in certain sections of both the Church and the Government, the Party radicals leave no doubt concerning their intention to pursue the anti-Catholic campaign. The front page of the latest issue of the *Schwarze Korps*, the organ of the S. S., is devoted to proving that the then Pope, Benedict XV, had "blessed" the Treaty of Versailles, thus "consecrating" Germany's "shame," because he "rejoiced" at the termination of hostilities. It is noted, moreover (from the January 20 issue of the *Neue Zürcher Zeitung*), that the *Osservatore Romano* has sufficient grounds for believing that a plan is under consideration in the Ministry of the Interior for the imposition of a tax upon paid Masses for the dead. The Vatican paper remarks, "The Jews did not tax the Supreme Sacrifice of Golgotha but bore the cost themselves; now the Supreme Sacrifice seems about to be taxed by those who prosecute the Jews."

Respectfully yours,

WILLIAM E. DODD

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862.404/173 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, January 30, 1936—11 a.m.

[Received January 30—8:04 a.m.]

30. Embassy's despatch No. 2622, January 23. Strong denunciation of Nazi paganism contained in Catholic pastoral letter of last Sunday appears to have been a parting volley on the retreat made in response to demands for action from the lower clergy and the faithful. In the meantime discussions have been resumed with the Government concerning application of Concordat and higher policy understood to be concerned with the task of consolidating by this method Church's compromised position and preserving it against further State aggression.

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<sup>40</sup> See *Foreign Relations*, 1933, vol. II, pp. 292 ff; for text of Concordat signed at Vatican City, July 20, 1933, see *British and Foreign State Papers*, vol. CXXXVI, p. 697.

With respect to the Protestants the militant opposition hopes to obtain a reorganization of central Confessional administration on more combative lines. Forthcoming synod understood to be timed with winter Olympic games to embarrass possible police action.

Copy to Rome.

Dodd

862.404/176

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2674

BERLIN, February 15, 1936.

[Received February 29.]

SIR: I have the honor to report on current developments affecting the situation of the German churches.

The Protestant Church question may be quickly disposed of by stating that after many delays and further attempts by Church Minister Kerrl to negotiate a settlement of the dispute, the Reich Synod of the Confessional Church has finally been set for the beginning of next week, February 18 and 19 (see Embassy's despatch No. 2622 of January 23, 1936).

The National Socialists have momentarily diverted their attention from the opposition Protestant pastors to the Catholics. As the Consul General in Munich relates in his report No. 214 of February 7, 1936,<sup>41</sup> a copy of which it is noted was forwarded to the Department, the National Socialist opponents of the Confessional schools were able, by pressure and methods little short of terrorism, to win an astonishing success in Munich where registrations in the Confessional schools fell as compared with last year's results from 65.45 percent of the total number of registrations to 34.89 percent this year, this being the first time that the Confessional schools had yielded a majority of pupils to the *Gemeinschaft* schools.

As is now well known more drastic measures were employed in Düsseldorf to carry forward the anti-Catholic campaign. The Consul in Cologne reports that over the week end of February 9, 30 clergymen in the Cologne district were taken into custody together with an unknown number (rumored to be as high as 150) of lay leaders of the Catholic youth organizations throughout Germany. The clergymen, it is stated, are being held incommunicado and their whereabouts and welfare are unknown. The arrests are believed to have been caused by the action of certain Catholic youth leaders in circulating copies of a draft law, which they are accused of having obtained illegally, providing for the compulsory teaching of anti-Catholic doctrines in the schools.

<sup>41</sup> Not found in Department files.

The views of a high Catholic authority as reported by the Consul in Cologne may be of interest:

"The present relations between the Church and the State, my informant said, was not dissimilar to the 'Kulturkampf' of Bismarck's era. One of the differences was that Hitler had told the Cardinal personally that he, unlike Bismarck, did not hold with the 'Pagan religion' or with the anti-Catholic attacks. Likewise, only as late as November 30, Dr. Goebbels<sup>42</sup> was sent by the Chancellor to the Cardinal with an offer to conclude peace with the Church. My informant said that he knew positively that the Cardinal had replied in the affirmative and asked that each party appoint a commission to negotiate the terms. However, since that date the Cardinal was stated not to have heard anything more about it, but on the contrary, the attacks on the Church had increased. My informant was of the opinion that the Chancellor himself desired peace with the Church, but that he was a victim of his own surroundings and was helpless in this as in other matters. He referred to the article in the London *Times* of February 11, containing a report of the sermon delivered a few days ago in Munich by the Cardinal of Bavaria, in which the Nazis were taken to task for their attacks on the Church and on the Pope. My informant added that the Bishop of Muenster likewise had delivered a sermon last Sunday which, if anything, was even more audacious in defying the Nazis, and that as a result the arrest of the Bishop was expected at any moment. I received the impression that the Muenster attack on the Nazis was delivered as a test case. My informant added, however, that the Church would not allow itself to be provoked into a physical resistance to the authorities, as it did not wish to give the present regime the excuse to undertake actions which were not of interest to either the State of [or] the Church, although he had the feeling that the public would rally to the support of the Church."

These statements confirm rather than clarify the confusion apparently prevailing in both the Catholic and National Socialist camps. While Cardinal Schulte is generally believed to favor conciliation, Cardinal Faulhaber and the Bishop of Muenster put themselves in the posture of preaching resistance, and while Hitler and Goebbels make gestures of peace, the arrests of Catholics multiply. Apparently the only consistent theme in the drama is the effort of the Secret Police and local Party enthusiasts to break the last vestige of Catholic political influence by doing everything in their power to bring discredit upon the Catholic cause. The famous currency smuggling cases are now entering upon the thirtieth trial and in addition to the Düsseldorf affair, the German press has reported, particularly during the last two weeks, arrests of a number of other Catholic priests and lay leaders on political charges. An event of particular significance was the trial last week, evidently the first of its kind, of a priest from

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<sup>42</sup> Joseph Goebbels, German Minister for National Enlightenment and Propaganda.

Dresden before the People's Court; although evidence failed to substantiate the proffered [*preferred?*] charge of high treason, the priest was given the maximum penalty of two years penal servitude for spreading *Greuel-propaganda*, or malicious rumors.

In the meantime the negotiations between Church Minister Kerrl and the Catholic authorities concerning the manner of application of the Concordat have once again broken down. It is generally believed that the material for the Düsseldorf case had been in the hands of the police for some time and that the arrests were only sprung after the Catholic negotiators had refused to accept the conditions of the State. Such a result would only yield proof of the theory that so much has happened to compromise the position of the Catholics since they themselves broke off the negotiations following the loss of some of their political leaders in the June 30 clean-up,<sup>43</sup> that they are now hardly in a position to carry through their demands respecting the application of the Concordat.

It is understood that the Catholic authorities are attempting to deal with the present situation through diplomatic channels and that the Papal Nuncio has twice called at the Foreign Office within the last few days. Owing to the extreme caution being employed on both sides, it is impossible to say what course the discussions have followed or how far they have developed.

Respectfully yours,

WILLIAM E. DODD

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862.404/177

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2699

BERLIN, March 3, 1936.

[Received March 14.]

SIR: I have the honor to report as follows in amplification of the Embassy's telegram No. 53 of February 25, 9 a.m.,<sup>44</sup> respecting the situation of the German Churches.

*The Evangelical Church.*

At the national Synod held in Bad Oeynhausien from February 17 to 22, the militant wing in the Confessional Church which under the leadership of Pastors Niemöller and Koch of the Church of the Old Prussian Union has borne the brunt of the battle against State interference, won a complete victory over the episcopal elements represented by Bishop Marahrens of Hannover, Bishop Meiser of Bavaria and Bishop Wurm of Württemberg, who have shown themselves in-

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<sup>43</sup> The Nazi purge of June 30, 1934.

<sup>44</sup> Not printed.

clined to temporization and negotiation with the State authorities. Consisting of the lower clergy and lay leaders, the national Synod is so to speak the democratic assembly of the Confessional movement, and proof that the rank and file are now in fighting mood was evident in the fact that many of the delegates from Hannover, Bavaria and Württemberg, the seats of the moderate bishops, voted with the militant group whose resolutions were adopted by majorities as high as 90 percent.

With the exception of Bishop Marahrens, who put in a brief appearance only to tender the resignation of the Central Confessional administration of which he has been head, the other two bishops of the larger provincial churches did not attend the Synod, the reason being, it is understood, that they did not wish to imperil certain compromises they have made with Church Minister Kerrl whereby they have avoided until now the imposition of official Church committees in their respective dioceses.

The Marahrens administration was replaced by two bodies which will be more directly responsible to the will of the Synod. A new Reich Council of Brethren consisting of 25 members was elected, 8 seats going to the Church of the Old Prussian Union where resistance to State control is strongest, 2 seats to the Bavarian Church, 1 seat apiece to those of Hannover and Württemberg, the remaining 7 seats being apportioned between the other provincial Churches. An executive board was also set up to serve as a central administration in the interim between synodal meetings. Pastor Müller of Dahlem, Pastor Boehm of Machnow, and Pastor Alberts of Spandau, all of them followers of Niemöller, were named to the board whose membership is later to be expanded to five.

In addition to reorganizing the Church on more combative lines, the Synod voted not to recognize Kerrl's decrees of December 2 or the official Church committees set up under them. (See Embassy's despatch No. 2519 of December 5, 1935.<sup>45</sup>) It also adopted a resolution setting forth in terms similar to the pronouncements of such Catholic leaders as Cardinal Faulhaber of Munich and Cardinal Schulte of Cologne the demand that parents should not be prevented by pressure in favor of the State schools from sending their children to religious schools. In connection with this last matter it is learned that a pamphlet entitled the "Dechristianization of the German Youth" was circulated among the Synod. Although consisting entirely of press reports of anti-Christian and anti-clerical statements by Nazi leaders, it was confiscated soon after by the Secret Police who were in constant attendance at the Synod.

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<sup>45</sup> Not printed.



As reported in the Embassy's telegram under reference, Kerrl permitted the Synod to meet in contravention of his decrees apparently because he believed that the moderate episcopal group would prevail or that at least a damaging split would develop in the Confessional ranks. What he will now do in the face of the Synod's defiant gesture is entirely unknown. According to one Church authority whose judgment may be trusted, it is likely that Kerrl and the Government, occupied as they are with the Catholic question, will not take immediate action against the Confessional leaders, but that the conflict will develop gradually and, so to speak, from the ground up. It is foreseen that one way in which the issue may be joined is that Kerrl's committees may order disciplinary measures against individual opposition pastors; the Confessional authorities would of course feel compelled to direct the pastors to continue their activity and in this manner a sort of guerilla warfare might ensue leading possibly to a struggle on a larger scale.

Since the above was written it has been learned that an official committee, with Bishop Marahrens at its head, has been set up for the provincial Church of Hannover. It is generally assumed that this step represents an alliance of Marahrens with the Kerrl administration by way of a more definitely formulated compromise, for, while the Bishop seems to have capitulated to the extent of accepting a State committee for his Church, it is understood that he will be permitted to appoint to it a majority of moderate Confessionals. The move appears to furnish yet another illustration of the clever tactics pursued by Kerrl throughout the Church struggle. If the other provincial bishops should accept similar arrangements, an appeasement may be created between the State and heads of the more important provincial Churches which would render the position of the independent radical Confessionals all the more confused.

#### *The Catholic Church.*

The Catholic situation has not altered appreciably during the past week. The arrests of Catholic priests and lay leaders have momentarily abated after having provided the Nazi radicals with a handsome yield of hostages in their campaign to discredit the Church. A blow to the Catholics as serious, however as the recent arrests has been struck by Dr. Goebbels in an order calling for a censorship of their press, which has hitherto been a powerful instrument in the clergy's hands. The reason given for this order was that the Catholics had consistently abused the freedom granted them in press matters. It is understood that the Papal Nuncio has demanded full explanation regarding this step inasmuch as press liberty is explicitly guaranteed the Catholics under the Concordat.

It is learned that the 55 Rhineland Catholics and the 7 Communist leaders with whom they are alleged to have been in contact are to be tried on a charge of high treason before the People's Court. Of particular interest in this connection is the information set forth in report No. 106 of February 28 addressed to the Embassy by the Consul in Cologne, that the local authority who would ordinarily have performed these arrests was not consulted but that they were carried out by the secret police instigated by the radical elements in the Party. In the view of this person "it was bad politics inasmuch as it was silly to bring forth such a charge as that the Catholic Church had formed a partnership with the secret, underground communist movement."

That the issue between Church and State is far from being clearly drawn as yet in the higher reaches of the Government is apparent from latest developments in the case of Mgr. Bannasch, the head of the Catholic information service who it will be recalled was arrested last November and against whom a charge of high treason was contemplated (see Embassy's despatch No. 2544 of December 14, 1935<sup>47</sup>). Bishop Preysing of Berlin, one of the Catholic leaders most in favor with the Government, is understood to have appealed to the Führer himself on Bannasch's behalf. The high treason charge has been quashed and it is learned that Bannasch has been provisionally released with the understanding that he will be set completely free in a few weeks when it is expected that the danger of demonstrations being made in his favor will be past!

Respectfully yours,

WILLIAM E. DODD

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862.404/185

*The Chargé in Germany (Mayer) to the Secretary of State*

No. 2949

BERLIN, July 21, 1936.

[Received August 1.]

SIR: I have the honor to report that the memorandum which, as reported in the Embassy's despatch No. 2863 of June 4, 1936,<sup>48</sup> was addressed to the Reich Chancellor personally in the middle of May by the Confessional Provisional Administration of the Evangelical Church, was given to the foreign press on July 16.

The memorandum itself follows closely the outline presented in the Embassy's despatch under reference and inasmuch as it is understood that the *New York Times* and the *New York Herald Tribune* correspondents have forwarded to their papers for publication the

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<sup>48</sup> Not printed.

full text, consisting of some 16 pages, it is deemed hardly necessary to enter into a full discussion of its contents. An examination of the text, a copy of which is in the Embassy's possession, more than confirms, however, the earlier statement made concerning the strength of its terms. An annex, replete with anti-Christian declarations made during the last three years by such Nazi speakers and writers as Göring,<sup>48</sup> Dr. Ley,<sup>49</sup> Rosenberg<sup>50</sup> and Youth Leader von Schirach, is appended to support the contention that the Party is following a policy of de-Christianization of the people. In proof of the same point there are offered also communications from governmental organs, in particularly one from the Regional President of Breslau to the effect that in accordance with a decree issued by the Reich Minister of Education, the despatch of religious tracts to youths serving their year on the land, or *Landjahr*, is forbidden, as well as the attendance of youths in the Labor Service at church services on Good Friday.

The memorandum does not stop with religious matters but under a heading entitled "Morality and Law" it challenges the accuracy of the Reichstag vote of last March, declaring that the method of conducting the vote presented many Evangelical Christians with a test of conscience. It is stated, furthermore, that the Evangelical conscience, which recognizes its responsibility to the people and the State, is severely tried by the fact that concentration camps still exist in Germany, which calls itself a Government of law, and by the circumstance that the measures of the Secret Police are subject to no judicial survey. Finally, National Socialist treatment of the Jews is attacked as a violation of the Christian doctrine of brotherly love. In short, it is not only remarkable that a group of men should venture to draw up such an indictment of the Nazi State but should dare to address it to Hitler himself! The document is signed by Pastors Müller, Albertz, Boehm, Forck, and Fricke, who constitute the Provisional Administration of the Confessional Church, as well as by Pastors Asmussen, Lücking, Middendorff, Niemöller, and von Thadden, who are members of the administrative council.

The original text, it is learned authoritatively, never reached Herr Hitler, who indeed might have been embarrassed by the attention devoted in the memorandum to Nazi efforts to deify him, but only an emasculated summary was laid before him. In view of the fact that the complete text was jealously guarded by the authors and not even shown to other high church authorities, the suspicion arises that it was given to the foreign press by the Church Ministry itself, acting

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<sup>48</sup> Hermann Göring, German Minister for Aviation.

<sup>49</sup> Robert Ley, Leader of German Labor Front.

<sup>50</sup> Alfred Rosenberg, Head of the Foreign Political Office of the Nazi Party.

through a questionable agent, in order to betray the Confessionals into a violation of a government edict forbidding direct contact between the Church and press representatives.

Retaliatory action against the Confessionals, which it was felt might be postponed until after the Olympic Games, has already supervened in the form of a decree just issued by Church Minister Kerrl ordering the Confessional Provisional Administration to cease using that title on the ground that it caused confusion with the official Church Committee set up last December. (It may be recalled from the Embassy's despatch No. 1853 of March 18, 1935,<sup>51</sup> that the Confessionals early last year won the right to use that designation before a court of law which dismissed an injunction brought against them by Reich Bishop Müller.) Another decree has been issued by Kerrl's official Committee itself ordering the dissolution of all Confessional Councils of Brethren, the local units of the opposition organization. These steps are not essentially new as it will be recalled that Kerrl's Church ordinances of last December formally banned all Confessional bodies;<sup>52</sup> until now, however, these decrees have not been enforced and the Confessional organization has been permitted to survive on tolerance.

It is learned that the Confessionals have no intention of obeying these orders and apparently mean to bide their time until some more drastic form of action is taken by the State than the series of petty raids upon their premises carried out last week by the Secret Police. It is understood that they are considering the possibility of themselves publishing and circulating the memorandum throughout Germany during the Olympic Games but are still hesitating to offer the State such open defiance.

In the meantime it appears that the first steps have been taken toward a *rapprochement* between Kerrl's Church Committee and the more conservative branch of the so-called German Christians, a development of some interest in view of the connotation it would bring forth of a rise in Reichbishop Müller's prestige and the eventual exercise of radical Nazi influence in the official Church government. If the basis of the State Committee's work of conciliation could be thus expanded by the incorporation of the German Christians without at the same time disaffecting other elements represented on the Committee, this move might well hasten the isolation of the militant Confessionals as well as increase the desperation of their opposition.

One of the possible consequences of an accentuation of the conflict might be the voluntary disestablishment of the Confessional Church,

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<sup>51</sup> *Foreign Relations*, 1935, vol. II, p. 349.

<sup>52</sup> See telegram No. 231, December 3, 1935, from the Ambassador in Germany, *ibid.*, p. 376.

a move which certain of its leaders have been considering for some time as a means of achieving greater freedom of action. While pastors with such large followings as Dr. Niemöller of Dahlem would have little difficulty in maintaining their Churches, the loss of State revenue would probably confront many Confessionals with a serious problem of existence. Apart from financial considerations, however, another reason why the Confessionals have not cut their churches loose from the State is that many of even the most militant leaders are ardent patriots and apparently up until now have hesitated to bring about a complete break with the State and German Church tradition. Voluntary disestablishment, moreover, might put the Confessionals in a position of outlawry in which they would have no recourse against attacks by the Secret Police. The establishment of the Evangelical Church has been a useful instrument in the State's hands for keeping many pastors in line during the current conflict and if it were to be abandoned by the State itself, some other means of control would probably be substituted as it is inconceivable in National Socialist Germany that such a large body of men in a position to influence public opinion should be left completely to their own devices.

Respectfully yours,

FERDINAND LATHROP MAYER

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862.404/187

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 3007

BERLIN, August 27, 1936.

[Received September 5.]

SIR: I have the honor to report that a manifesto denouncing in strong terms Nazi interference in German religious affairs was read on August 23 in many of the churches belonging to the Evangelical Confessional Front. The Embassy obtained a copy of the manifesto several days in advance; owing, however, to the length of the document it has not been found possible to render a translation, but a fairly complete summary, which appeared in the London *Times* of August 24, is transmitted herewith.<sup>58</sup>

The manifesto is a modified version of the letter addressed in May to Herr Hitler by certain Confessional leaders (see Embassy's despatch No. 2949 of July 21, 1936). Being intended for publication, it was couched in somewhat milder terms than the earlier letter in order evidently to give the Government less cause for complaint, but the tone may nevertheless be deemed surprisingly vigorous.

The manifesto was read under dramatic circumstances in Dr. Niemöller's church in Dahlem, in Berlin, where that pastor, after

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<sup>58</sup> Not reprinted.

withdrawing from the pulpit in order technically to avoid infringing the so-called *Kanzelparagraph* of the law, retired to the altar steps and, attended by two burly colleagues on either side to prevent molestation, read the proclamation before an emotionally touched congregation.

Beyond the arrest of a pastor in Bremen who dared to disregard a prohibition ordered by a local authority, the reading of the manifesto in the various Confessional churches throughout Germany was not generally interfered with.

While many pastors are believed at the last minute to have decided not to run the risk of proclaiming the manifesto, it was given wide publicity and appears to have received the support of the Confessional Front as a whole and, significantly enough, of the Bishops of Württemberg and Bavaria who have lately hesitated to follow such militant leaders as Niemöller and his Prussian group all the way in their opposition to the State. The manifesto was read in Württemberg last Sunday and it is understood will be read in the Protestant churches of Bavaria next Sunday.

The lack of general interference with the reading of the manifesto is typical of the tortuous course the Church-State controversy has been following. It is understood here, as the Consul General in Munich states in his report No. 223 of August 25, 1936, that in the absence of Herr Kerrl, who is on vacation recovering from a serious illness, the Church Ministry and its officially appointed church committees are in a state of semi-disorganization. This is said to account in part for the inactivity of the Secret Police who, lacking instructions in the matter, are stated to have been at a loss as to how to deal with the situation created by the manifesto, and who are portrayed, moreover, as being as heartily tired of the official Church authorities and all their works as they have been of the Confessional Opposition. On the other hand, a small section of opinion takes the view that the Government's recent leniency is an ominous sign that the Nazi leaders may be preparing for a final offensive against ecclesiastical opposition through the announcement of a National Socialist State Church either at the forthcoming Nuremberg Party Congress or some time next spring. While the possibility is not entirely excluded that Herr Hitler may eventually be won over to this idea by its more radical advocates in the Party, such an act on his part would certainly denote a departure from the policy he has followed in the last three years of avoiding a decision either way in settlement of the conflict.

Nothing definite has been heard concerning the annual Conference of Catholic Bishops which was held under the usual conditions of secrecy in Fulda this year from August 18 to 23. The Protestant Opposition is hopeful that a pastoral letter, denouncing, in terms

similar to their own, State interference and Nazi de-Christianization of the people, may ensue. On the other hand it is realized that, having regard to its compromised position, the Catholic Church may be more cautious this year than before in inviting a trial strength with the Government. Already post-Olympic anti-Catholic activity has been initiated by the bringing to trial and sentence in Cologne of another of the considerable reserve of monks still held in prison on immorality charges.

Respectfully yours,

WILLIAM E. DODD

862.404/189

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 3015

BERLIN, September 2, 1936.

[Received September 12.]

SIR: Referring to the Embassy's despatch No. 3007 of August 27, 1936, I have the honor to discuss the situation resulting from the reading last Sunday of the pastoral letter drawn up by the German Roman Catholic bishops at their annual meeting at Fulda.

In terms somewhat similar to the manifesto proclaimed in the Confessional Evangelical churches the Sunday before, the letter opens with a sharp protest against Nazi attacks upon the Roman Church, its institutions and the clergy, mentioning among other grievances "unmerited generalisations and accusations", affronts to the Pope and to the bishops themselves. It then passes on to a denunciation of Bolshevism, citing the menace from that quarter as being all the more a compelling reason for the Government and the Party to avoid action likely to disrupt both the religious and national fronts in their stand against a common enemy. The letter concludes with a restrained complaint against Government efforts to circumscribe and isolate the influence of the Church as well as against Nazi interference with the work of the Catholic youth organizations and labor associations, particularly the latter which, it is mentioned, are being practically forced out of existence by the prohibition upon acceptance of their members, on a basis of dual membership, in the Labor Front which almost all German workers must now join in order to be able to make a living. The Catholic congregations are reminded in the letter that freedom from molestation in all these spheres is guaranteed the Church by the Concordat concluded three years ago.

The portion of the pastoral letter dealing with Bolshevism is particularly significant as it was avowedly conceived with the idea of offering a common meeting ground with National Socialism. It is learned that contact having been established on this basis, these pas-

sages were drafted in concert with an official from the Church Ministry whose hand may perhaps be seen in the effusive compliments paid the Führer for his fight against Bolshevism. The truce thus concluded is said to embrace a promise by the Government to settle amicably and without further recourse to public trial the remaining currency smuggling and immorality cases pending against members of the Catholic orders. It is also reported that delegations from both sides have been appointed to resume once again negotiations concerning the application of the Concordat. Under somewhat better auspices than their Protestant brethren who made the same attempt, the Catholic bishops are understood to have addressed a memorial to Herr Hitler personally setting forth the chief points of the pastoral letter.

Well informed quarters regard it as still too early to venture a prediction as to the final outcome of these preliminary steps. The Catholic Church is perceived to have been driven to seek a *rapprochement* by reason of the weakness of its position resulting from the successful campaign of discredit which the Nazis have carried out during the past year. The Government for its part is seen to be willing to explore the possibilities of a compromise owing to a desire to consolidate its offensive against Bolshevism, as well as to remove a cause of internal friction that has lasted all too long. It is not impossible also that the drawing closer of Germany's relations with the Catholic countries of Austria and Italy played a part in determining the change in attitude, a development which Herr von Papen,<sup>54</sup> who is a Catholic, may well have helped.

Although the truce is regarded as a distinctly hopeful sign, Catholic authorities are understood not to be over-optimistic in view of the very great difficulties that stand in the way of a really permanent settlement. One of the most important of these would be the question as to whether the Government would be able to restrain anti-Catholic elements in the Party, particularly those preachers of neo-paganism who have support from high quarters. Another point of issue might arise with respect to the parochial schools. It is learned that just prior to the bishops' conference the Government was seriously considering abolishing the schools by law. Although such a drastic legal step may now be regarded as postponed indefinitely, the same result may be attempted informally by Party groups, as it has been with notable success in Munich during the last two years.

The youth organizations may prove to be another stumbling block. It is stated on good authority that the Ministry of the Interior is working on a draft law which would require the compulsory membership of all the German youth in some kind of State organization, a measure

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<sup>54</sup> Franz von Papen, German Minister in Austria.



that was presaged by Herr von Schirach<sup>55</sup> in a New Year message, and which is long over-due. Whether or not it will be brought forward at the Nuremberg Congress as its advocates ardently wish may be the case, appears not to have been decided but should it be put into effect it might put an end to the Catholic youth associations unless a compromise could be worked out envisaging a form of dual membership.

Although the possibility now appears excluded that legislation aimed directly against the Catholics, as for instance a mooted dissolution of the orders, will be brought forward at Nuremberg, it may nevertheless be seen from the foregoing that many points of conflict may arise in what may be regarded as a normal evolution of Party policy.

Incidentally the treatment by the press of the bishops' pastoral letter was particularly interesting. Breaking their long tradition of ignoring Catholic affairs, the *Deutsche Allgemeine Zeitung*, as well as Göring's paper, the *Nationalzeitung* of Essen, published brief summaries of the section denouncing Bolshevism, whereas the foremost Catholic daily, the *Germania*, failed to make any mention of the letter at all. I understand that the later editions of the D.A.Z. were suppressed.

Respectfully yours,

WILLIAM E. DODD

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862.00 P.R./211

*Extract From Political Report of the Ambassador in  
Germany (Dodd)*<sup>56</sup>

3. *Recent Developments Affecting the German Churches.* The chronic quarrel between the State on the one hand and the Catholic and Evangelical Confessional Churches on the other has remained quiescent for a long period, but recently certain incidental happenings have taken place which are worth noting. During the period of calm which has elapsed, time and circumstances have played on the State's side, the truce having in part been caused by the fact that the Churches have lost further ground through a series of seemingly insignificant events which have perhaps made it difficult for them to renew the struggle.

As reported by the Consul General in Munich in a letter to the Embassy dated November 6, 1936, Cardinal Faulhaber had an interview with Herr Hitler on November 4, this being a visit that occasioned some surprise in view of the well-known anti-Nazi tendencies of the

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<sup>55</sup> Baldur von Schirach, leader of the Hitler Youth.

<sup>56</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 3192, December 17, 1936; received January 4, 1937.

Cardinal and particularly the political role he is supposed to have played in the suppression of the "Beer Hall Putsch" of 1923, a deed for which he is openly reproached in the latest number of the paper of the National Socialist Students League which catalogs as well some of the Cardinal's more recent "treasonable" utterances. Nothing whatever is known about what might have transpired at this visit or at a subsequent one which Cardinal Faulhaber in the company of Cardinal Schulte of Cologne paid Hitler. Catholics optimistically inclined hope that the meetings may later bear fruit in a conciliatory governmental declaration or even in a pledge of non-interference in Church affairs while even those less optimistic feel that the meetings may have been useful in at least providing the highest Church authorities with an opportunity of informing the Führer of anti-clerical and even anti-Christian trends in the Party of which he may not have been aware.

Shortly after these interviews, however, there followed the promulgation of the "State Youth Law" making membership in the Hitler Youth organizations compulsory for all children, and thereby implying the abolition of the confessional youth associations whose existence is guaranteed by the Concordat (see Embassy's despatch No. 3186 of December 11, 1936<sup>57</sup>). This act, taken together with past experience, has convinced Catholics that even should a disposition exist in high quarters to come to a lasting settlement of the Church's difficulties, it would be practically impossible to frame one which would not be capable of being violated by anti-Christian Party leaders responsible for the political and "philosophical" training of large masses of the people.

Both the Catholic and Evangelical Confessional Church authorities have recently been embarrassed by "leaks" to the foreign press. The first of these relates to a letter written by Herr Lutze, Chief of Staff of the S. A., announcing in rather insulting terms his withdrawal from the Catholic Church. This letter was forwarded by Bishop Preysing of Berlin to Cardinal Schulte and somewhere on the way fell into the hands of a Polish journalist whose paper published it in full. The Secret Police can, of course, point to this as an instance of how the Church by devious methods endeavors to discredit abroad the Nazi State.

The second "leak" revolves around the mysterious fashion in which, it may be recalled, the memorandum addressed by the Confessional authorities to Herr Hitler last May came to be given out to the foreign press (see Embassy's despatch No. 2949 of July 21, 1936). It has now come to light that the memorandum was surreptitiously passed on to certain foreign journalists by the head of the administrative

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<sup>57</sup> *Post*, p. 189.

office of the Confessional Front himself. The fact that this person should have been a baptised Jew does not speak highly for the political sense of the Church leaders who chose him for this position. He, together with several of his colleagues, were arrested and have already been languishing in a concentration camp for some weeks.

While these compromising discoveries by the Secret Police have very largely been responsible for restraining the Confessionals from renewing their campaign of opposition, certain of their aims, notably their fight against the so-called "German Christians" and against anti-Christian tendencies in the Nazi Party, have been taken up by the moderate group of Evangelicals represented on Church Minister Kerrl's official committees. The "German Christians" have of late drawn together again and have been encouraged to set up a central office for "German Christianity" in Erfurt under Pastor Hossenfeldt's direction while the anti-Christian and neo-pagan movements are seen to have benefited by the increased authority and power acquired during the past year by such radical leaders as Herr Himmler, German Police Chief and head of the S. S., and Herr von Schirach of the Hitler Youth.

The menace from these quarters to organized religion was evidently judged by the moderate churchmen to be so great as to have prompted them to publish declarations in the official Evangelical Church Gazette calling for action by the State ecclesiastical authorities. Supported, it is said, by the conservative Lutheran bishops, Dr. Marahrens of Hannover, Dr. Meiser of Bavaria and Dr. Wurm of Württemberg, the signatories of the declarations protest against the fact that in certain districts of Mecklenburg and Thuringia Nazi Party leaders have encouraged the "German Christians" to defy the attempts of Kerrl's Church officers to set up neutral committees and to enforce the expulsion of several pastors judged to be heretical. The general danger to the Church is represented to be such that the suggestion is made that this question be taken up and settled in discussions with State and Party authorities. The State is reminded that while the Church stands behind the Führer in his fight against Bolshevism it expects that measures be taken to put an end to anti-Christian propaganda to which high State and Party office holders have contributed their share. The signatories finally demand that assurances be given that the youth shall not be led along anti-Christian ways.

The declarations are addressed to Herr Kerrl in his capacity of Reich Church Minister. The latter has been notably inactive of late owing partly to the effects of a serious illness and owing also to instructions said to have been given him by Hitler in the course of a private visit to refrain from anything which might provoke the Church situation. While his inactivity has on the whole been salutary, the lack of any central direction has had the effect indicated in the declarations

mentioned above of encouraging the "German Christians" backed by the Party, to try to take things once again in their own hands.

Speculation is current regarding certain possible changes which the scheme for comprehensive constitutional reform talked of as due to be announced next January 30 may bring about in the status of the Churches (see Embassy's despatch No. 3150 of November 13, 1936<sup>58</sup>). The possibility of disestablishment always lingers in the background but failing the realization of this a more immediate measure which certain Party leaders are seen to be eager to have adopted is the substitution of a "cultural tax" for existing church taxes. The Churches would receive a share of this tax, the proceeds of which would mainly be devoted to the support of State and Party cultural activities, including the State opera, Nazi art exhibitions, and so forth.

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#### GOVERNMENT CONTROL AND NAZIFICATION OF INSTITUTIONS OF EDUCATION AND TRAINING IN GERMANY<sup>59</sup>

862.00 P.R./191

*Extract From Political Report of the Ambassador in Germany  
(Dodd)*<sup>60</sup>

1. *Nationalization of the German Youth.* Important changes in the Reich youth organizations were forecast in a New Year proclamation issued by Youth Leader Baldur von Schirach. While it is evident from the vague terms of the declaration that many points of detail have not yet been decided, the general implications of the scheme are wide enough to deserve special attention.

According to von Schirach's announcement, membership in the Deutsches Jungvolk, which has hitherto been voluntary, will be made compulsory for all German children between the ages of 10 and 14. He declares that the change should not be difficult to bring about, claiming that already 80 per cent of the children were included in this body, an estimate considered in certain circles, however, to be disproportionately high. Only the very best would be chosen for the Hitler Youth and the Band of German Girls, where the children remain from the ages of 15 to 18; these organizations would be the elite corps rather than the large State youth bodies that they are today. The other children coming from the Jungvolk would be brought together into a new State organization yet to be set up. It is evidently intended that the Hitler Youth and the Band of German Girls should

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<sup>58</sup> Not printed.

<sup>59</sup> For previous correspondence on Nazification of educational institutions, see *Foreign Relations*, 1935, vol. II, pp. 376 ff.

<sup>60</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 2597, January 15, 1936; received January 24.

be "feeders" for the Party and that they should furnish certain numbers of young people who upon the successful completion of their youth service at the age of 18, will be admitted to membership each year on the occasion of the celebration of the anniversary of the Munich Putsch on November 9, in much the same manner as those admitted last November.

In its broad outlines the scheme amounts to nothing less than a conscription of the entire German youth between the ages of 10 to 14. Its ramifications are so far-reaching, however, that it is understood that a number of points remain to be settled. One question still outstanding relates to the status of the Catholic youth organizations which, although considerably circumscribed in their activities by the repressive measures of last summer, still exist and as a matter of fact have their existence guaranteed by the Concordat.<sup>61</sup> Another point is the form that will be given to the State youth body which will comprise the majority not selected for the Hitler Youth or the Band of German Girls. In this connection it is understood that there has been a movement in conservative circles of the Government to take the main group of the German Youth out of the hands of Herr von Schirach's youthful lieutenants and entrust them to adult leaders, but Herr von Schirach seems to have been successful in frustrating this design, which originated principally in the Ministry of Education, inasmuch as in a recent speech in Koenigsberg he made it clear that he intended that all the State youth bodies should be captained by his followers.

A matter causing grave concern to many parents arises from the privileges that the members of the Hitler Youth and the Band of German Girls now enjoy. At present many government positions (see Embassy's despatch No. 2444 of November 5, 1935<sup>62</sup>) as well as situations in Nazi firms are open only to former members of the Hitler Youth. Parents foresee that if these privileges are continued, such of their children as fail to be selected for the elite groups may find it impossible to aspire to the best careers. In this case a tremendous pressure will force the children themselves to compete with each other in National Socialist effort in order to gain coveted membership among the elite.

To mark the important decisions to be put into effect, 1936 is to be known as the "Year of the German Youth." In addition to the intervention of the State to gain complete control over the youth, other projected measures are mentioned in the press, including new laws on professional training, on child labor and general youth welfare.

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<sup>61</sup> For text of Concordat between Germany and the Papacy signed at Vatican City, July 20, 1933, see *British and Foreign State Papers*, vol. cxxxvi, p. 697.

<sup>62</sup> Not printed.

862.00 P.R./197

*Extract From Political Report of the Chargé in Germany (Mayer)*<sup>63</sup>

3. *Education. (a) Private Schools Discouraged.* Minister of Education Rust on April 4 issued a decree to the effect that, starting with the 1936 school year, school beginners may no longer be admitted to the lower grades of private schools, stating that every healthy German child of elementary school age must attend the public schools which fostered National Socialist education. The maintenance of private elementary schools was thus contrary to Nazi principles of education. School beginners already registered to enter private schools after Easter are to be withdrawn and entered in a public school. Measures are envisaged to indemnify the proprietors of private schools for the ensuing loss. The decree, naturally, does not apply to Jewish private elementary schools.

(b) As an indication of the general disposition of the Government and Party to take educational "short cuts", Minister of Education Rust has decreed that under certain conditions school boys promoted at Easter to the *Oberprima* (the last high school class) may be entered immediately in college engineering classes, thus taking out one whole year of regular schooling in cases where such boys desire to specialize in aeronautics and ship building.

862.00 P.R./198

*Extract From Political Report of the Chargé in Germany (Mayer)*<sup>64</sup>

7. *Reich Academy for Physical Training.* A Reich Academy for Physical Training has been established under the auspices of the Ministers of the Interior and of Education together with the Reich Sport Leader, to coordinate the training of teachers in this field. The headquarters of the Academy are to be at the Reich Sport Field, primarily constructed for the Berlin Olympic Games. Accommodations will be available for 500 teachers at a time, who are to be given post-graduate courses. Special stress will be placed on developing their ability as "political educators".

In this connection the establishment of a Bureau of Sports, subordinate to the Minister of the Interior may be noted.

<sup>63</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 2760, April 14; received April 22.

<sup>64</sup> Transmitted to the Department by the Chargé in Germany in his despatch No. 2794, April 30; received May 9.

862.00 P.R./199

*Extract From Political Report of the Chargé in Germany (Mayer)*<sup>65</sup>

2. *Ban Upon the Membership of Corps Students in Party Organizations.* Two decrees published May 15 by Rudolf Hess, the Führer's Deputy and the official specially charged with Party relationships, strike yet another blow at those student corps which have clung tenaciously to a precarious existence (see Embassy's despatch No. 2697 of February 29, 1936<sup>66</sup>).

The first decree prohibits association with any of the still extant corps by Party members or members of the Party-affiliated organs such as the S. A.<sup>67</sup> and the S. S.,<sup>68</sup> while the second decree calls upon all members of the officially favored National Socialist Student League to sever their connections with the student corps. The obvious intention of these two measures is to complete the isolation of the corps and to make it clear to any student who still dares to join one that in so doing he may seriously impair his prospects for a career.

862.00 P.R./203

*Extract From Political Report of the Chargé in Germany (Mayer)*<sup>69</sup>

2. *Duties of the Nazi Teacher.* The *Frankfurter Zeitung* of July 21 published excerpts from a pamphlet by the Bavarian Minister of Education defining the duties of the primary school teacher under the National Socialist State. The excerpts are interesting as indicating that it is demanded of the teacher not merely that he should teach but that he should be a priest and missionary in the cause of National Socialism. Besides his work in the school, it is stated, the teacher of today has other duties to perform in the spheres of the youth administration (through cooperation with the Hitler Youth Organization), in nationality and racial questions, in enquiring into the home atmosphere of his pupils and in arranging excursions, "defense sports" and State youth day celebrations. Furthermore, it is expected that the teacher should attend congresses of the N. S. Lehrerbund, take his classes to visit meetings and exhibitions of the Party and have them participate in Winter Help work and air defense exercises. The

<sup>65</sup> Transmitted to the Department by the Chargé in Germany in his despatch No. 2836, May 19; received May 29.

<sup>66</sup> Not printed.

<sup>67</sup> Sturmabteilung.

<sup>68</sup> Schutzstaffel.

<sup>69</sup> Transmitted to the Department by the Chargé in Germany in his despatch No. 2965, July 30; received August 8.

teacher should also hold himself ready to help in the conduct of street lotteries and in the house-to-house distribution of literature.

It is learned that in the primary school field the Nazi teachers-organization, the N. S. Lehrerbund referred to above, has within recent months attained complete supremacy over the remnants of older organizations, so much so indeed that the dissolution was announced about two weeks ago of the rival group known as the Deutsche Lehrerbund.

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862.00 P.R./207

*Extract From Political Report of the Ambassador in Germany  
(Dodd)<sup>70</sup>*

2. *New Educational Plans.* At a meeting of officials of the professional training office of the Labor Front held in the Kroll Opera House on the evening of September 28, Dr. Ley, leader of the Labor Front, and Reich Minister of Education Rust announced certain revolutionary changes in the present German educational system, including a shortening of the total school period and a plan for intensifying professional training in the elementary schools.

Dr. Ley, who is known to be one of the most socialistic leaders of the Party, declared in his opening statements that it was the right of the State to make demands upon the individual according to his ability, and that it was the community's task to develop individual capacities. This led him to say that three and one-half million workers in Germany had been given inadequate professional training. As a remedy for the future Dr. Ley proposed that the so-called "Robinson Crusoe Year," or the first of the regular three-year apprentice course, which is spent largely in elementary manual training, should be assimilated to one of the years in school, to the end that all German schoolboys should acquire preparation for a career. He also urged that before adopting a special line, apprentices be first given a two-year general basic preparation in manual training, thereby increasing their adaptability to take up any one of a number of trades.

Dr. Ley put forth several other proposals for increasing the number of skilled workers, including a far-reaching plan for the establishment of a regular professional training press, to which every German family would be urged to subscribe, and the holding of a series of competitions between master-workers with a view to encouraging self-development even after the apprentice period had been completed. He called upon the various plants and factories to make the necessary contributions which would be expected of them in this connection.

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<sup>70</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 3069, September 29; received October 9.



The confessional apprentice associations would soon be abolished, he declared, as no longer suitable to the new social order (a statement of some interest in view of the fact that the existence of the Catholic associations at least is guaranteed by the Concordat).

Reich Minister of Education Dr. Rust then announced that beginning with next Easter, the total school period would be reduced. He said that instead of the system now existing, which calls for four years of primary school and nine years of high-school, the total school period would be restricted to twelve years. He intimated that the loss in time would be made up by expanding, to what he called a "full study year," the present school year, which consists of two semesters of three and one-half months each, the new arrangement presumably implying a curtailment of vacation time.

The reduction of the school period to twelve years denotes a return to the system obtaining in Germany before the War when there likewise existed a two-year military service term. At present boys enter the *Grundschulen*, or primary schools, at the age of six, and should they elect to pursue a so-called classical education in the *Gymnasium*, or high schools, they would leave the latter at the age of 19, assuming that they had passed through all the grades regularly, as of course many fail to owing to sickness and other reasons. The six months Labor Service and two years military service now required consequently means that a youth would not normally begin his secondary education or higher professional training until he had reached the age of 22 or 23. In view of the fact that most university or technical school courses last at least four years, or five in the case of medicine or engineering, the youth would only be ready to enter his profession at the age of 27 or 28 years. The reduction of the school period apparently aims at accelerating the preparation necessary for the taking up of a career.

Just how Dr. Ley's plan for intensifying professional training fits into the general scheme is not clear, even to officials in the Ministry of Education who appear to have been taken by surprise by his announcement. After finishing the *Grundschulen*, youths who desire to be apprentices do not enter the *Gymnasium* but continue on in the public schools, or *Volksschulen*, which they normally leave at the age of 14 to begin their three year apprentice training in the workshops or factories. Dr. Ley evidently intends that the last year at the *Volksschulen* be devoted in part to professional training. The object of this plan is evidently to repair the deficiency in skilled labor which is today being felt seriously in the material as well as military reconstruction of the Reich. On the other hand, the question has been raised in some quarters as to the utility of providing all boys with a professional training of some kind or other in view of the fact that

a large proportion of work must still be done by unskilled labor. It is expected that this as well as many other outstanding problems will be clarified by subsequent regulation.

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862.00/3619

*Extract From Report of the Ambassador in Germany (Dodd)*<sup>n</sup>

6. *Current Educational Developments.* Pending a basic reform of the school system to meet the new situations created by the prolongation of military service as well as by the need for engineers and mechanics, German educational affairs appear to be in a momentary state of confusion.

One of the issues apparently giving trouble seems to be the extent to which political training of the university and secondary school students should be carried out. The institution which claims to be competent in this respect is the National Socialist Student League, which is in charge of Herr Derichsweiler, a Party radical of the first order, and which is supreme in the field formerly held by the various student corporations. This organization has its own uniform as well as its own *Kameradschaftshäuser* and summer camps in which, in conformity with a recently-issued decree, all new students will be expected to live during their first three semesters in order to acquire political training. According to an educational authority, the power of this organization to do mischief has grown so great as to lead to an intolerable state of affairs. It is reported that in several universities the students dare to badger professors concerning their political beliefs, besides spending a large part of their time in student politics which are enlivened by denunciations and threat of imprisonment, by the dismissal and setting up of new leaders, the issuance of orders and counter-orders, and so forth.

Reich Minister of Education Rust is said to be perturbed by this situation and it is learned that at the meeting in the Kroll Opera House on September 28 he said some strong words on this subject which were not printed in the Goebbels' <sup>72</sup>-controlled press (see Embassy's despatch No. 3068 [3069] of September 29, 1936 <sup>72a</sup>). He exhorted the student representatives to attend strictly to their university work and to give up playing politics as well as wasting their time in beer halls. A few days later at Weimar, the well-known surgeon, Dr.

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<sup>n</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 3095, October 14; received October 24.

<sup>72</sup> Joseph Goebbels, German Minister for National Enlightenment and Propaganda.

<sup>72a</sup> See footnote 70, p. 182.

Sauerbruch, delivered a speech pleading for a return to methods of scientific training existing prior to 1914, an address which is said to have had the approval of the Ministry of Education. Dr. Rust is reported to be endeavoring to combat the influence of Herr Derichsweiler by reviving the importance of the *Deutsche Studentenschaft* which in the days when students were split into various corporations served as the all-inclusive parent organization but which has recently been pushed out of the picture by the National Socialist Student League. Through the *Studentenschaft*, Dr. Rust, it is understood, has issued several orders annulling those put forth by the National Socialist Students League, but it appears that so far the latter, supported by radical Party elements, has had the best of the struggle.

It will be recalled that Dr. Rust at the same meeting in the Kroll Opera House announced that the school course, beginning with the next school year opening at Easter, would be reduced from 13 to 12 years. A lively discussion has ensued as to whether the reduction should take place in the four years of primary school or in the higher school courses. From the circumstance that discussion is still permitted in the press, it would appear that no decision has yet been made, but it seems to be Dr. Rust's idea that in any case the time lost through reduction of the total period should be made up in part by a longer school year consisting possibly of three semesters, with greatly abridged vacations, instead of two as at present. To the end of accelerating the school work, he is thought to be all the more eager to remove the disturbing influence of student politics.

Incidentally, it is learned from the Military Attaché<sup>73</sup> that the army authorities are engaged in discussions with the Reich Ministry of Education with a view to providing for university and technical high school students some form of relief from the onerous two and a half-year period of labor and military service. Owing to the undemocratic aspects of the voluntary one-year term of military service for university students obtaining before the war, the Government appears to be reluctant to revert to this method, but it is expected that some sort of arrangement providing for a reduction of labor or military service will be worked out on a new basis. Possibly the regulations just published governing the admission of volunteers in the army may be a part of the new plan, for, by permitting the acceptance of recruits upon the completion of their seventeenth year, it would seem to open the way for the immediate admission to the army of the exceptionally gifted student who finished his *Gymnasium* course at this early age. In view of the decline in members of university students brought about by National Socialist policy, the accommodation of

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<sup>73</sup> Maj. Truman Smith.

those who are qualified or desirous of attending a university may perhaps prove to be a less difficult problem than it might have been under other circumstances.

With respect to the delicate question of the confessional schools, it appears that the trend away from these schools to the non-denominational State schools is pursuing a set course. In a speech delivered in Stuttgart on October 11, Herr Mergenthaler, Minister-President of Württemberg, declared that in his district 98 per cent. of the children attended the State *Volksschule*, or High School, in preference to confessional schools. This proportion apparently does not apply, however, to the elementary schools, or *Grundschulen*, a large proportion of which it is believed still remain in Confessional hands.

According to a report published in the *Berliner Tageblatt* of October 14, the arrangement peculiar to Bavaria whereby members of the Catholic orders perform a certain amount of lay teaching in the public schools (*Volksschulen*) will be gradually abolished beginning with the first of next year. In a press statement, State Counselor Böpplé of the Bavarian Ministry of Culture explained that 1686 members of orders were engaged in teaching in some 400 state schools. The activity of the orders in this respect was provided for in a decree issued January 1, 1920, which stipulated moreover that such teaching could be abolished only with the consent of the majority of parents. This decree, Herr Böpplé stated, ran counter to National Socialist policy which sought to make important decisions independent of popular vote and had been annulled by consultation with the competent State educational authorities. He declared it was no longer admissible that the State should pay money for the maintenance of schools merely to have the Catholic orders determine the spirit of the teaching, particularly in State schools which were attended by many Protestant children. The teaching of the orders had been found unsatisfactory in several fields, including race knowledge, history and biology, and sport development. Herr Böpplé admitted that the church authorities had objected that his proposal infringed the Concordat, but held that the Concordat only guaranteed the establishment of schools operated by a Catholic foundation and did not apply to Catholic teaching in the State schools. It had also been objected that the displacement of members of the Catholic orders by lay teachers might entail additional expense for the taxpayer. In this connection Herr Böpplé stated that the increased financial burden would not be great inasmuch as the orders received subsidies for their teaching which would subsequently be reduced.

It is not difficult to mistake the tendency of such a measure as that described above, which has as its objective the suppression of Catholic influence wherever it exists. It also bears witness to the tenuous char-

acter of the Catholic-Government truce. In this respect, the question may possibly be asked, how much longer the so-called truce may be expected to outlive such an attack as that published in the latest issue of the *Schwarze Korps*, which accuses the Vatican of endeavoring to form a "popular front" against "new heathenism," and thereby by implication against Germany.

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862.00 P.R./208

*Extract From Political Report of the Ambassador in Germany*  
(Dodd)<sup>74</sup>

1. *Nazi Party Ordering of Educational Matters.* The *Märkische Volkszeitung* of October 26 states that the competent educational authorities have ordered that in view of the great influx of students to Berlin only those will be admitted for matriculation to the universities and high schools during the coming winter semester who belong to an organ of the National Socialist Party (presumably the Hitler Youth, the S. A., S. S. or a similar Party organization). As far as is known this is the first time that membership in a Party association has been made a definite requirement for admission to a secondary education.

An agreement has recently been concluded between Reich Minister of Education Rust and Dr. Ley providing for the representation of the Party and the Labor Front upon the school boards of the state-operated professional schools and of the so-called *Aufbauschulen*, the latter being a type of reformed or experimental school instituted in Germany after the War. While the Party has exercised considerable influence in school management through Nazi-controlled teachers and parents associations, this appears to be the first time that formal provision has been made for its assumption of responsibility through representation on school boards which have hitherto been composed of state officials or, in the case of Confessional schools, of Church authorities.

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862.00 P.R./209

*Extract From Political Report of the Ambassador in Germany*  
(Dodd)<sup>75</sup>

2. *Miscellaneous Educational Matters.* The conflict between Reich Minister of Education Rust and Herr Derichsweiler, the radical leader of the National Socialist Student League, has finally been resolved by

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<sup>74</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 3118, October 28; received November 6.

<sup>75</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 3150, November 13; received November 28.

the resignation of Herr Derichsweiler and his assignment to an undetermined position on Herr Hess' staff. As reported in the Embassy's despatch No. 3095 of October 14, 1936,<sup>76</sup> Herr Derichsweiler instigated considerable trouble through his efforts to "politicize" the universities through his League. Dr. Rust is said to have realized that student politics were interfering to an unwarranted extent with university studies and he is understood to have attempted to combat Herr Derichsweiler's influence through the rival and older organization called the Deutsche Studentenschaft. Simultaneously with the retirement of Derichsweiler it was announced that the National Socialist Student League and the Deutsche Studentenschaft would be brought under a single head, a certain Dr. Scheel who will have the title of "Reich Student Leader." Dr. Scheel is an Obergruppenführer in the S.S. and is understood to be a comparative moderate in educational affairs.

A week after his appointment Dr. Scheel announced to a meeting of student leaders in Stuttgart his plans for the fulfillment of his new mission. In accordance therewith the National Socialist Student League and the Deutsche Studentenschaft shall maintain their separate identities. The first as heretofore will be charged with the "militant political training" of the student, while the latter, which shall embrace all students whether they belong to the League or not, shall be concerned chiefly with the ordinary routine relations between the student bodies and the university authorities. Upon entering a university every student will be required to report to a leader of the League for three semesters of political education. He will also be given the opportunity of living in one of the *Kamaradschaftshäuser* of the League for three semesters and of thus becoming a League member. While residence in one of these houses will not be required, as Herr Derichsweiler apparently wished, it is stipulated that only those who become League members can ultimately become student leaders. All student members of the Party or of one of its associated organs will be compelled, however, to reside in a *Kameradschaftshaus*. In contrast with previous practice whereby students have been free to move from one university to another, it is now ordered that they must remain at least three semesters at one university.

Following his victory in the matter of student organizations, Dr. Rust has recently made several addresses which are worth noting. Speaking of the 150th anniversary celebration of the Prussian Art Academy in Berlin, he confirmed the Government's intention of controlling art as rigorously as it controls literature and the press, a development foreshadowed by Hitler in his so-called "cultural speech"

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<sup>76</sup> See footnote 71, p. 184.

at this year's Party Congress. Declaring that the time of art for art's sake was over, Rust said that he had given orders to have certain "manifestations of the shameful past" removed from German museums. He expressed his indignation in particular that a monument had been erected (at a place unnamed) to a Prussian regiment commanded by Ludendorff which made the men look "more like beasts than heroes." With respect to the forthcoming reform of the schools, which he said would be shortly announced, Dr. Rust stated that this would be founded upon the principle that not the continuity of history should be the ultimate aim of historical teaching but the greatness and importance of particular epochs and men.

At the 125th anniversary of the founding of the University of Breslau, which was celebrated November 7 and which, it was noted, was made the occasion for bestowing an honorary degree upon Herr Conrad Henlein, the Sudeten-Deutsch leader in Czechoslovakia, Dr. Rust set up as the goal of university teaching the pursuit of science, placing the emphasis, however, unmistakably upon natural science, which would help Germany's material development, rather than upon the cultivation of the liberal arts. "The Führer's commissioner for the execution of the Four Year Plan, Party Comrade Göring, has appealed to the cooperation of German research authorities in the work of making the German people independent," Dr. Rust declared. "You will understand therefore when at the opening of the new semester I give 'science' as the watchword." Describing Horst Wessel as the eternal symbol of the working student, Dr. Rust asserted that, "in place of the liberal conception of science we have set up our own, which is that science is not an idea which moves freely in space and time, but a specific manifestation of the people's spirit."

Speaking later in Breslau at a Party gathering, Dr. Rust dealt with a question which he heard was frequently being asked, namely, why, now that the Party had vanquished Germany, were political meetings still necessary. Dr. Rust gave as his answer, that "just as people go to church every Sunday to seek power from God's Word, so we come together to acquire power from our Führer."

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862.00/3635

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 3186

BERLIN, December 11, 1936.

[Received December 28.]

SIR: I have the honor to report on certain legislation of general political interest which has recently been promulgated in Germany. . . .

(a) *State Youth Law.*<sup>7</sup>

Membership in the National Socialist Youth organizations is made compulsory for all German children of both sexes by an act referred to as the "State Youth Law." Declaring in its prologue that "the future of the German people depends upon its youth," the law provides that "the entire German youth within the Reich territory is to be comprised in the Hitler Youth," in order, it is stated in a subsequent paragraph, that "outside of the home and school the youth may be educated in the Hitler Youth physically, mentally and morally in the spirit of National Socialism for the service of the people and the community." Herr von Schirach, the present head of the organization, is to bear the title of "Youth Leader of the German Reich" and is to have a central office in Berlin which is to be dignified with the name of "Oberste Reichsbehörde" and is to be responsible directly to Hitler alone.

Inasmuch as it has been common knowledge that a draft of this law has been under consideration for the better part of the present year, the delay in its promulgation has caused more surprise than the law itself. As intimated in previous reports, the postponement seems to have been caused by objections emanating from the Ministry of Education and also, it is said, from the Army authorities, to entrusting the German youth up to the age of 18 to Baldur von Schirach, himself only 30 years old. Opposition has also arisen to von Schirach's insistence that the *Führerprinzip* must be inculcated at an early age and that "youth should only be led by youth" without interference from grown-ups. While recognizing the service rendered by the Hitler Youth in developing the boys physically, the Army authorities, moreover, have frowned upon various attempts made by the Youth leaders to give the boys intensive pre-military training, the Army holding that any training of this character beyond a little target practice and "wehrsport", which principally consists in crawling upon one's stomach through the woods, involved the risk of making the boys "stale" as regards the real military training they are to receive later on.

Although he apparently failed in what was said to have been his desire to attain Cabinet rank as "Youth Minister," Herr von Schirach seems to have done exceedingly well in succeeding in having the entire German youth conscripted under him, in making himself immune from criticism except through the Führer himself and finally in obtaining for himself an office which has a status almost equivalent to that of a Reich Ministry, and which will certainly bring with it a handsomely increased appropriation. The bestowal of so much power

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<sup>7</sup>Adopted by the Reich Cabinet, December 1, 1936.



upon Herr von Schirach who is notoriously anti-Christian and who is bent upon training young Nazis of the most fanatical type must be regarded as a knocking out of one more prop from the forces still endeavoring to conserve the Germany of the past.

The law says nothing about dual membership in other youth organizations and therefore leaves the status of the Confessional youth associations undefined. Catholic circles, however, look upon it as a death blow to their groups as it is seen that children drafted in the Hitler Youth will find little time for service in any other organization. That the Government foresaw the passing out of existence of the Confessional associations was perhaps indicated in the fact that the penalties decreed by General Göring in the summer of 1935<sup>78</sup> for the wearing of uniforms and the carrying of flags by Confessional youth associations were rescinded by a law published November 19. While indirect means have been chosen to force the disappearance of the Confessional youth associations, the Catholics, however, consider them as but another breach of the Concordat, inasmuch as the existence of the associations is guaranteed therein. In their present comprised [*compromised?*] position the Church authorities apparently feel themselves powerless to protest against violations of that much-abused instrument.

The State Youth Law is only a sort of general empowering act and remains to be implemented by subsequent ordinances which will regulate the question of age and formalities of entrance. It has not yet been established whether the actual conscription will take place in the near future or on next April 20, the date of Hitler's birthday, when admissions to the Hitler Youth occur; presumably it will apply to children of the age of the *Deutsches Jungvolk*, or those ten years old. Herr von Schirach in an interview given to the German press on December 2 declared that children who were already members of the Hitler Youth or of the Band of German Girls before the passage of the law on December 1 would be given special recognition. Discrimination would be avoided, however, and the principle of "voluntary initiative" be upheld by an arrangement whereby those entering the Hitler Youth organizations after that date might by exceptional service attain privileged status, he declared.

On the evening of December 9 Herr von Schirach addressed a radio broadcast to "the German parents" whom he endeavored to reassure concerning the religious orthodoxy of the Hitler Youth. There would be no interference with purely Confessional training, he said, mentioning that he had given orders that no Hitler Youth exercises be held on Sunday morning in order that the children would be completely

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<sup>78</sup> See despatch No. 2141, July 13, 1935, from the Ambassador in Germany, *Foreign Relations*, 1935, vol. II, p. 354.

free to attend church. "I have never suffered a godless person in the Hitler Youth," he declared and recalled that the oath of allegiance of his organization ends with the words "so help me God." Religious leaders point out that they have heard similar declarations on von Schirach's part before, and that they are all largely beside the point. They claim never to have accused the Hitler Youth of being "godless" but maintain that the God revered by von Schirach and his kind is not a Christian God but a sort of tribal deity of the new Germany. Herr von Schirach, it is observed, can afford to be generous to the Churches in small matters inasmuch as the long hours of service in the Hitler Youth and its many attractions enable him to impress his ideas upon his adolescent following.

Respectfully yours,

WILLIAM E. DODD

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### PERSECUTION OF JEWS IN GERMANY<sup>70</sup>

862.00 P.R./191

*Extract From Political Report of the Ambassador in Germany (Dodd)*<sup>80</sup>

2. *Definition of the "Public Offices" which Jews May Not Hold.* On December 23 a second supplementary ordinance to the Reich Citizenship Law of September 15 was issued (see Embassy's despatch No. 2322 of September 19, 1935,<sup>81</sup> and despatch No. 2474 of November 18, 1935<sup>82</sup>) defining those positions which are to be understood as "public offices" from which Jews (the so-called "full-blooded" and "the quarter Jews" who had escaped earlier retirement because they were former "front-fighters") were to be dismissed by December 31, 1935. "Officials" in the sense of the law are stated to be persons "directly or indirectly" employed in an office of the Reich, of a province or a commune, or of a public corporation; teachers in the public schools; honorary, as well as State professors, in a university, and *Privatdozenten*, or licensed instructors in the technical high schools.

Jewish notaries, whose retirement was forced early in October ostensibly on the ground that they were public officials, are now legally designated as such and are consequently formally deprived of their occupation. The law fails to mention the position of stock broker

<sup>70</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 391-412.

<sup>80</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 2597, January 15, 1936; received January 24.

<sup>81</sup> *Foreign Relations*, 1935, vol. II, p. 405.

<sup>82</sup> Not printed.

from which Jews were also suspended on the ground that this was a "public office" (see Embassy's despatch No. 2499 of November 27, 1935<sup>83</sup>), but possibly retroactive justification for this and other steps of a similar character is to be found in the sweeping provision in the ordinance that in addition to the positions specifically cited, a person may be considered to be a public official who has "authoritative or dignified (*hoheitliche*) duties to fulfill." In a commentary written for the *Deutsches Recht*, Dr. Stuckart of the Ministry of the Interior interprets this provision as disqualifying Jews from being commercial adjudicators, jurymen and bankruptcy receivers.

Certain mitigations are provided for, the first being that if a dismissed Jewish "front fighter" official has not been in service long enough to be eventually entitled to a pension (which, it will be recalled, is to begin after he has reached the normal retirement age when the full pay granted him as compensation for his forced dismissal is to cease), he may, if "worthy and in need," be granted a stipend by the Minister of the Interior. The second favor shown is that Jewish officials who find themselves in reduced circumstances as a result of their dismissal may terminate leases on their business properties and residences by March 31, 1936. The same right is given to Aryan employees of the retired Jewish notaries.

In a concluding section, the ordinance prohibits Jews from being head doctors in a public hospital or institution, as well as being inspector for a public sickness insurance office. Jews must abandon such positions by March 31, 1936, despite any contracts they may hold. Jewish hospitals of a public character are exempted from the prohibition.

On January 13 an order was issued relaxing the requirement that members of the Labor Front must be of "pure Aryan blood," stipulating instead that any person a *Reichsbürger* or citizen in the sense of the Nuremberg law may join, thus entitling to membership the so-called "quarter" and "half" Jews. This regulation results from the provision in the first supplementary ordinance to the Nuremberg racial legislation to the effect that all criteria of "Aryanship" more rigorous than those envisaged in the laws themselves were to fall by the end of last year if not specifically renewed. No comprehensive survey of fields now open to Jewish "cross-breeds" has yet been published and the situation appears still somewhat confused as evidenced by the fact that while these persons as Reich citizens are presumably entitled to become government officials, Minister of the Interior Frick has stated publicly that such a career shall not be open to them.

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<sup>83</sup> Not printed.

862.4016/1580

*The Secretary of State to the Ambassador in Germany (Dodd)*

No. 546

WASHINGTON, January 21, 1936.

SIR: Reference is made to your confidential despatch No. 2469 of November 15, 1935,<sup>84</sup> with regard to the possibility of invoking Article I of the Treaty of Friendship, Commerce and Consular Rights between the United States and Germany, signed December 8, 1923,<sup>85</sup> in connection with the application of German laws to Jews who are American citizens residing in Germany.

It is not believed that it would be practicable for the Department to formulate an opinion with regard to the general question whether the German legislation, when applied to Jews who are American citizens in Germany, would contravene Article I of the Treaty.

It is suggested that should a particular case arise in which you are of the opinion that the provisions of the Treaty are violated and the violation thereof is susceptible of objective proof, that complete facts be submitted to the Department before representations are made on the basis of a Treaty violation.

In the light of the foregoing, it is not believed that collective action with other missions on the part of the Embassy is warranted, should a disposition for such action develop. Differences between the provisions in the Treaty between the United States and Germany and treaties between other countries and Germany and differences in the facts of cases various countries might encounter in connection with the protection of their nationals, would tend to make collective action difficult to sustain.

It is considered, however, most desirable for the Embassy to continue to cooperate informally with other missions in the exchange of information with regard to the means found to be most effective in protecting the interests of foreign Jews in Germany.

Very truly yours,

For the Secretary of State:

R. WALTON MOORE

862.4016/1609

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2626

BERLIN, January 27, 1936.

[Received February 8.]

SIR: I have the honor to report that on January 16th the Embassy received an undated circular memorandum from the British Embassy

<sup>84</sup> *Foreign Relations*, 1935, vol. II, p. 409.

<sup>85</sup> *Ibid.*, 1923, vol. II, p. 29.

in Berlin relating to cases of the application to British subjects of the Jewish race residing in Germany of the anti-Semitic laws issued by the German Government at Nuremberg in September, 1935.<sup>86</sup> A copy of this memorandum is transmitted herewith for the Department's information.<sup>87</sup>

It may be noted that the British Government is considering the possibility of submitting to the German Government claims for compensation on behalf of the British subjects described above, which will be based on the principle of respect for acquired rights as contemplated by international law. The British Government considers that a knowledge of the fact that such a course is under consideration may possibly strengthen the hands of the German Ministry for Foreign Affairs in endeavoring to prevent action being taken against British subjects in such cases. The British Ambassador has therefore been authorized to indicate informally to the Ministry for Foreign Affairs that such action is being considered "should the German authorities decide to deprive British subjects in this way of their means of livelihood."

The British Embassy feels that similar representations made by other foreign missions in Berlin would strengthen their action, and they desire to be informed as to whether the United States Embassy is disposed to take similar action on behalf of its nationals. We have replied orally that the matter is of interest and that it would be investigated.

With a view to obtaining a general survey of the situation pointed out by the British Embassy as applied to American nationals residing in Germany, this Embassy has requested a detailed report from each consular office, in which all cases of this nature which have come to their attention would be carefully outlined. The reports from the various consulates have now been received and have been outlined in a general memorandum transmitted herewith as an enclosure.<sup>87</sup>

In transmitting this memorandum the Embassy desires to make certain observations with a view to giving the Department a clear picture of the situation for use as a basis in considering any action which might be taken.

It may be noted that there are no cases of great importance which have been brought to the attention of consular offices either, (1) since the passage of the Nuremberg laws or, (2) before September, 1935, when the basis for action against Jews generally was somewhat more obscure. The Embassy's memorandum specifically classifies the case in this manner, and it may be noted that a third group is suggested,

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<sup>86</sup> *Foreign Relations*, 1935, vol. II, pp. 406-408.

<sup>87</sup> Not printed.

i. e., those cases, more difficult of appraisal, involving general business losses to all Jews in Germany, irrespective of nationality and of course including American Jews, as a result of general Nazi policy and the actual laws.

Not only are the cases outlined of relative unimportance, but there is a surprisingly small number of them. The new laws (please see despatch No. 2322 of September 19, 1935, transmitting these laws<sup>90</sup>) of course have not been in force for a sufficient length of time to show the final results of their general application, but because of the character and small number of the American cases, the Embassy is of the considered opinion that the presentation of claims for compensation on behalf of American citizens based on evidence submitted up to the present time, would be inadvisable and ineffective. With the exception of the general losses not susceptible of specific evaluation sustained by American Jews as a consequence of the whole Nazi policy and law, it is doubted whether more than a few thousand dollars are involved.

The Embassy understands that certain other governments, notably the Swiss and the Dutch, have been particularly active in endeavoring to effect specific compensatory adjustments, but it must be noted that the governing circumstances in these instances involve exactitude of monetary appraisal, the unhesitating disposition to institute retaliatory measures if necessary, and the comparatively large number of citizens affected.

Whatever the action the Department may desire taken in this connection, either directly or in collaboration with the British and other governments, it would seem ill-advised and would probably weaken any clear-cut claims, to include cases which arose as a result of local decisions and decrees, or because of indiscriminate policy against Jews such as may have been practiced prior to the institution of the actual national laws.

The point made by the British Embassy that united representations might strengthen the hand of the German Foreign Office in endeavoring to prevent further action against foreign Jews, is doubtless well taken. Furthermore, this Embassy feels that some gesture in common with other governments at this time is worth considering more for general and future reasons than with any hope in this instance that it would bring results, especially in view of the fact that there is no important case of an American citizen involved.

Therefore, it is respectfully suggested that this Embassy be authorized to inform the British Embassy that the action they may decide to take along the specific lines of the memorandum, recommends itself in principle to the United States Government; that, however, in

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<sup>90</sup> *Foreign Relations*, 1935, vol. II, p. 405.

view of the limited American interests involved to date, it does not feel justified at this time in presenting specific claims on the basis suggested; but that a note would be addressed to the German Foreign Office along general lines pointing out that the United States Government assumes, with particular reference to the new laws, that the German Government will give due consideration to the precise position of all American citizens in the matter of acquired rights in Germany under the provisions of international law.

In view of the importance of time in this matter, the Department's decision by telegraph is respectfully solicited.

Respectfully yours,

For the Ambassador:  
FERDINAND LATHROP MAYER

862.4016/1610

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2628

BERLIN, January 30, 1936.

[Received February 11.]

SIR: With reference to the anti-Jewish campaign, which has escaped notice for some time, I have the honor to report that the drive to force Jews out of business is proceeding very much in the manner forecast in the Embassy's despatch No. 2552 of December 21, 1935,<sup>a</sup> namely, that as a result of the failure to define the Jews' economic status by law, Party leaders and organizations are taking the matter into their own hands and appear to be doing what they can to throttle the Jews' means of existence.

It is learned from a leader in the local Jewish community that in southern Germany the authorities have begun to deprive of their licenses to work many Jewish stateless persons. A great majority of this group consists of Jews who came to Germany from the eastern countries after the War, and it is estimated that if the procedure is carried to its full conclusion, some 8 to 10,000 Jews may thus be forced to give up gainful occupations. The dismissal of Jews and mixed Jews from business and industry is also continuing under pressure from the Labor Front. It is stated that in cases where employers have objected that they cannot dispense with the services of Jewish skilled workers, the Labor Front compels them to accept Aryan apprentices who as soon as they are trained displace the Jewish employees.

As an illustration of the method employed in forcing Jews out of business, a letter addressed by the Labor Front to a Jewish wholesale egg dealer, who incidentally was a former war combatant, may be

<sup>a</sup> Not printed.

cited. It would be difficult to conceive a more insulting letter and the reference in it to certain "unwritten laws" is particularly significant. This communication came into the hands of the Commercial Attaché who courteously furnished the following translation:

[Here follows translation of letter, not printed.]

It is learned from an official in a Jewish emigrant office in Berlin that the Soviet authorities appear willing to admit a considerable number of Jewish doctors and that it is hoped to facilitate the migration to Russia of between three and four thousand doctors during the present year. Whether the German authorities on the other hand will permit their departure is perhaps another question, and in this connection mention may be made of a conversation with a certain Jewish doctor of the Embassy's acquaintance. This doctor stated that he was planning to leave Germany immediately as he had been informed by a friend in the War Ministry that a law was under discussion which would prohibit the emigration of Jewish doctors. The Army's apparent concern regarding the scarcity of doctors, and its reported intervention with a view to securing Jewish doctors' continuance in practice, will be recalled from the Embassy's despatch No. 2550 of December 19, 1935.<sup>92</sup>

From another well-informed Jewish source it is learned that the Munich authorities have taken up a number of passports belonging to Jews and have canceled their validity for travel abroad, evidently to assure themselves that Jewish emigrants fulfill all the necessary formalities with respect to taxes and exchange procedures before leaving the country. This same informant stated that the German Jews had noticed the outbreak of anti-Semitic campaigns in Argentina, Brazil and Chile, and had satisfied themselves that these were being fomented by the Party Auslandsorganisation in Berlin through the Nazi cells in these countries.

An oft-repeated Nazi claim is that the external evidences of the anti-Jewish campaign are being curbed and will completely disappear by the time of the Olympic Games this summer in Berlin. It has already been observed in this connection that many of the red showcases in which Julius Streicher's *Stürmer* is displayed now no longer bear the title of this paper but the simple inscription NSDAP; these showcases will probably be used to put on view more edifying literature this summer. Whether or not the *Stürmer* and other anti-Jewish periodicals of its ilk will be completely suppressed remains to be seen although certain of the more plausible Party officials steadfastly maintain that this step will also ensue. The Nazis are putting great store by the Olympic Games to rehabilitate and enhance the

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<sup>92</sup> Not printed.



reputation of the "New Germany" and if all goes smoothly, their hopes are likely to be fully justified particularly as it has been observed that foreigners who see only Berlin and the larger towns, who speak no German and have only the usual tourist contacts with the people are inclined to reject as libel press reports respecting such unpleasant occurrences as Jewish persecution which they have previously read in their home papers. Not content evidently that the city's cleanliness and order will make the customary favorable impression upon the visiting tourist, the Olympic authorities are taking no chances but are understood to have already begun training a corps of some 2000 interpreters who will not only be proficient linguists but will be skillful also in parrying embarrassing questions and in insinuating praise of National Socialism in their small talk.

Respectfully yours,

WILLIAM E. DODD

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862.4016/1609 : Telegram

*The Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, February 15, 1936—1 p.m.

13. Your despatch No. 2626.<sup>93</sup> We desire in general to pursue the policy outlined in instruction No. 546 of January 21 last both as to treaty and other rights under international law. Accordingly if you find it necessary to discuss with the German Foreign Office a concrete case of injury resulting from the Nuremberg laws you may at that time indicate orally, to the German authorities that this Government assumes that the German Government will safeguard the acquired rights of all American citizens in Germany.

You may, if you desire, intimate our position informally to the British Embassy.

HULL

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862.4016/1620

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2688

BERLIN, February 25, 1936.

[Received March 14.]

SIR: I have the honor to refer to the Embassy's despatch No. 2626, dated January 27, 1936, and the Department's telegraphic reply No. 13 of February 15, 1:00 p.m., relative to the inquiry made by the British Embassy in Berlin as to the possibility of collective action

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<sup>93</sup> Dated January 27, p. 194.

on the part of the various missions here in pressing claims for compensation on behalf of their nationals affected by the recent German anti-Semitic laws. Reference is also made to the Department's instruction No. 546 of January 21, 1936 (file No. 862.4016/1580), on the general policy of the protection of the rights of American nationals.

Following the Department's suggestion in the last paragraph of the telegram referred to, the attitude of our government was discussed informally with the British Embassy. It was pointed out that while we did not feel that collective action would be practicable for the reasons outlined by the Department, we believed it most desirable to keep in touch with other missions in the exchange of information with regard to the means found to be most effective in protecting the interests of foreign Jews in Germany.

We were informed at the end of the interview that from the tenor of the replies to the British memorandum received from other missions on the subject, other governments were of a mind similar to ours and it was felt that collective action at this point seemed impracticable.

Respectfully yours,

WILLIAM E. DODD

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862.4016/1627

*The Consul General at Berlin (Jenkins) to the Secretary of State*

[Extract]

No. 920

BERLIN, April 28, 1936.

[Received May 9.]

SIR: I have the honor to report that persons of the Jewish race, within the meaning of the Nuremberg laws, have now been excluded as a class from all commerce or trading in eggs; this is important inasmuch as it is the first case that has come to this office's attention in which Jews have been completely eliminated throughout all of Germany from participation in purely commercial enterprise.

Jews have, of course, been hindered in carrying out many business activities, and have through pressure, either directly or indirectly, been forced out of their individual businesses, or carried on but under restrictions. It is also of record that they have been locally prevented from continuing certain lines of business in various parts of the country; an example of this is cattle dealing.

As a class, they have again been prevented from entering certain professions, such as that of doctor, or lawyer, or from freely pursuing occupations having to do with the culture of the people, such as that of actor and writer.

It is believed, however, that the present exclusion of Jews from the whole of a purely commercial branch constitutes a precedent and

augurs extension of the fields from which those Jews now resident in Germany may be restricted from engaging to earn their living.

Respectfully yours,

DOUGLAS JENKINS

862.00 P.R./204

*Extract From Political Report of the Ambassador in Germany  
(Dodd)\**

2. *Interim Anti-Jewish Measures.* It has been learned first hand from various sources that it is becoming practically impossible for Jews to obtain passports or have their expired passports renewed. This practice was instituted in Bavaria about a year ago, when the issuance of passports was still a matter for the separate states to handle, but in view of the fact that the latter function has now been taken over by the Reich Government, it would appear that the denial of passports to Jews is based upon a general order. In cases of extreme urgency or for business trips abroad, Jews are being granted travel documents the validity of which is limited to two or three weeks. As far as is known, Jews already in possession of valid passports are not being deprived of them but the present restriction means of course that Jews will be unable to renew their passports after the ordinary five year term of validity has expired.

While the exact reason for the new policy is not known, it has been suggested that the Government is aware that many German Jews have substantial accounts in foreign countries, and that while it may not be able to prove its suspicions, it is at least taking steps to prevent Jews from following their capital abroad and enjoying its use. (Incidentally the Berlin visa officer of a certain country has stated that he has been surprised to learn as the result of inquiry into the resources of prospective Jewish immigrants, how much money in foreign accounts many applicants have; as he has no precise knowledge of how they transferred their funds from Germany, although he assumes they did it illegally, he has not considered it his duty to report them to the German authorities.) Other suggested reasons for the denial of passports to Jews are first that the Government may desire to limit the emigration of elements who would certainly be hostile to Germany once they had left the country, and secondly that the refusal to Jews of ordinary Reich passports may be preliminary to the introduction of new travel documents which would recognize the division of the population into two classes of "citizens" created by the Nuremberg racial legislation of last year.

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\* Transmitted to the Department by the Ambassador in Germany in his despatch No. 2994, August 19; received August 28.

The owners of several large Jewish stores in Berlin who would ordinarily be prohibited from flying the national emblem received instructions from the Propaganda Ministry last month that they should participate in the ordered general display of flags. In view of the efforts made to render the city colorful during the Games the instruction is viewed as quite the reverse of a concession and it is no exaggeration to say that the Jewish population awaits with fear and trembling the termination of the Olympic period which has vouchsafed them a certain respite against molestation, although it may be doubted whether the National Socialists will be quite so foolish as to spoil the good impression upon foreign opinion made by the management of the Games by an immediate resumption of the more spectacular anti-Jewish activities.

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862.512/463

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 3034

BERLIN, September 12, 1936.

[Received September 21.]

SIR: As perhaps having a bearing on the future status of Jewish-owned property in Germany, I have the honor to report that the Embassy has learned of at least two authentic cases in which Jews, even though they had no intention of leaving the country, have recently been ordered to deposit with the Government financial authorities a sum equal to 25 per cent. of their property in Germany as security for payment of the *Reichsfluchtsteuer*, or capital flight tax which is demanded of persons owning property who desire to emigrate. While the practice apparently has not yet become general and has been followed only in certain individual cases, it is nevertheless, in view of the manner in which action against the Jews has been carried out in the past, regarded as a somewhat ominous sign that possibly a large-scale attack upon Jewish-owned property may later be organized in this manner.

A copy of an order from the fiscal authorities received by the Jewish owner of a certain local firm is enclosed as of possible interest.<sup>95</sup> It is learned that the individual in question telephoned the *Finanzamt* to protest that he did not contemplate leaving the country but was nevertheless directed to pay the sum originally quoted. Another Jew who was approached in like manner succeeded in having the sum demanded, which indeed was very considerable, greatly reduced. It appears that the procedure is perfectly legal on the basis of existing

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<sup>95</sup> Not printed.

law and might conceivably be applied against any German property owner; in actual practice, however, it is being used only against Jews.

The Embassy has circularized some of the Consulates for information on this matter. The Consul General in Hamburg has replied that no such steps have yet been taken in his district but that he has been informed that action along these lines has been reported in Southern Germany. The Consul General in Frankfort states that a demand for deposit of the *Reichsfluchtsteuer* has been made in only a few instances in his district within recent weeks, the practice occasionally being followed when the Jewish proprietor has little or no real estate in Germany but has sizeable accounts abroad. It is said that in cases where Jews sell their business they are sometimes required to deposit an amount representing the flight tax.

It is now being made practically impossible, by informal methods, for Jews to acquire, or transfer to other Jews, real estate in Germany. In cases where it is attempted, the competent authorities simply refuse to register the deed of transfer. This is an extension of a practice which was instituted in certain parts of Germany last fall (see Embassy's despatch No. 2518 of December 5, 1935<sup>96</sup>); if carried to its logical conclusion it will mean that in the course of time Jews, by being unable to will real estate to Jewish heirs, will be completely excluded from holding land in Germany.

A high Party official informed a foreign diplomat of the Embassy's acquaintance that no new action against the Jews would be announced at the current Party Congress in Nuremberg, an assurance that accords with the general understanding here that the Government would not at so early a date attempt measures likely to spoil the good impression which it feels was made on foreign public opinion during the Olympic Games. It may perhaps be observed that from a Nazi point of view further anti-Semitic measures of a drastic and public nature are as yet hardly necessary. The Jews are being directly vilified in connection with the anti-Bolshevist campaign and in the meantime such administrative action as that cited above affords the opportunity of oppressing them relentlessly but unobtrusively. Possibly, should a favorable occasion for whetting Nazi appetites later present itself or be called for, these ministerial measures may later be embodied in a comprehensive law, as occurred last year in the case of the Nuremberg racial legislation which first had its origin in informal action by the Party.

Respectfully yours,

For the Ambassador:  
FERDINAND LATHROP MAYER

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<sup>96</sup> Not printed.

862.00/3619

*Extract From Report of the Ambassador in Germany (Dodd)*<sup>97</sup>

2. *Exclusion of Jewish Influence in Law Teaching.* The association of law professors and teachers incorporated in the National Socialist Lawyers League held a three-day meeting in Berlin over the week-end of October 4 with a view to taking steps to eliminate Jewish influence in the teaching and interpretation of German law.

Opening with the quotation from Hitler's *Mein Kampf*, that "in combatting the Jews, I am fighting for the cause of the Lord," a certain Staatsrat Schmitt enumerated those qualities peculiar to the mentality of the Jews which rendered vitally necessary their exclusion from the domain of legal criticism and development, in particular, he said, that quality which has erroneously been described as a concrete and so-called objective outlook. Individualist Jewish tendencies which were encouraged in the past had been responsible for the building up of a legal edifice by the "guest population" to the point where it became a veritable temple of Judas, he said. "German law must be developed by Germans, in accordance with the German spirit, to meet German necessities," the speaker declared; "therefore for the future, any critical, teaching or commentative work by Jew regarding German law is unthinkable."

A message from Reichskommissar of Justice Frank was then read, laying down certain guiding principles which were immediately adopted and which may be cited as follows:

(1) Publishing houses will refrain from bringing out new editions of Jewish legal works.

(2) Legal works written by Jews are to be removed from the law divisions of all public or law libraries and are to be transferred to those sections of the library which serve the purpose of illustrating the influence and habits of the Jews. Such work, being merely the expressions of opinion of a foreign race respecting German ideas, have nothing to do with German legal science.

(3) German lawyers in the future will quote from Jewish authors only in so far as these citations serve to throw light upon the mentality and outlook of the Jews.

To give effect to these principles, the association instructed the literary office of the Lawyers League to draw up a complete list of Jewish works which are to be proscribed.

After adopting these measures the conference returned to a vilification of Jewish mentality. Among other things it was stated that

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<sup>97</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 3095, October 14; received October 24.

the Jewish jurist looked upon a civil case as a conflict between two enemy parties in which the community had no interest and in which the establishment of the truth was not the ultimate goal but might be merely an incidental result. The Jews were also blamed for having invented the theory of "legal treachery" which related to the divulgence of a secret act or measure forbidden by the "Versailles Dictate." In particular the conference attacked Jewish criminal psychology which, as founded upon the theories of Freud and Adler concerning predestination, relative criminality, sexual repression, etc., was held to offend the sense of justice and moral conscience of Aryan peoples.

Julius Streicher, who was prevented from participating in the discussions owing to his attendance at the Harvest Festival on the Buckeberg, telegraphed the conference his greetings and best wishes.

Since writing the above account of the discussions as reported in the press, it has been learned that in fact a fairly lively exchange of views took place in the meetings, particularly as it appears that a very large proportion of the standard commentaries in certain legal fields, especially in commercial law and the law of conveyance, have been written by Jews. Some of the more serious law teachers apparently endeavored to make a case in favor of such well-known German-Jewish authors as Dernburg and Martin Wolff as well as a number of foreign Jewish authorities. A particularly heated discussion is understood to have taken place over Julius Stahl, the Jewish anti-liberal constitutional writer who supported Bismarck's conception of Prussian state authoritarianism. All of these Jewish authorities were shouted down, however, by the extremist elements in the meeting and consequently the standard texts of the future will appear without their contributions.

In a certain sense, the deliberations and the conclusions as reported above may be regarded as baying at the moon in that they failed to bring forth any concrete action or new measures against those Jewish lawyers who are still permitted to continue in practice, albeit under considerable difficulty. It may be said that a large proportion of the adult population have ceased to be impressed by the anti-Jewish hue and cry. Being for the most part indifferent or incompetent to express whatever sympathy they may now have for the Jews in their affliction, they have very little influence, however upon those extremist Party elements who are pushing the anti-Jewish campaign for their own ends and who moreover may be expected to derive support from the new generation which is being educated to regard the Jews as a menace to be suppressed with all the brutality at the command of the Party and State.

AMERICAN INTEREST IN THE WORK OF THE HIGH COMMISSION FOR  
REFUGEES (JEWISH AND OTHER) COMING FROM GERMANY<sup>o</sup>

548.D1/286

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

No. 4277

BERNE, March 9, 1936.

[Received March 18.]

SIR: I have the honor to transmit herewith Circular Letter No. 43<sup>1</sup> addressed to you on March 7, 1936 by the Secretary General of the League of Nations, informing you that Major-General Sir Neil Malcolm, appointed League of Nations High Commissioner for refugees, Jewish and other, coming from Germany, entered upon his duties on February 14, 1936.

Respectfully yours,

For the Minister:  
STANLEY HAWKS

548.D1/289

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

No. 4301

BERNE, March 19, 1936.

[Received March 28.]

SIR: I have the honor to transmit herewith Circular Letter No. 57<sup>1</sup> addressed to you on March 18, 1936 by the Secretary General of the League of Nations, informing you that the proposed Inter-Governmental Conference for the adoption of the legal status of refugees coming from Germany will meet at Geneva on July second next. The Secretary General desires to be informed before May 15 whether the American Government intends to be represented at this Conference, and by whom. A copy of the provisional program is enclosed.<sup>2</sup>

Respectfully yours,

For the Minister:  
STANLEY HAWKS

<sup>o</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 412-427. For further official data pertaining to the refugee subject see:

(1) Report by Committee on International Assistance to Refugees, submitted to the Council of the League of Nations, January 20, 1936, League of Nations, *Official Journal*, February 1936, pp. 69, 142.

(2) Provisional Arrangement Concerning the Status of Refugees From Germany, Geneva, July 4, 1936, League of Nations Treaty Series, vol. CLXXI, p. 75.

(3) Report on International Assistance to Refugees, submitted by the Sixth Committee to the Assembly, October 10, 1936, League of Nations, *Official Journal*, Special Supplement No. 161, p. 63.

<sup>1</sup> Not printed.

<sup>2</sup> Not attached to file copy.



548.D1/292: Telegram (part air)

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

WASHINGTON, April 6, 1936—2 p.m.

27. Despatch No. 4301 from Berne concerning Inter-Governmental Conference on status of refugees.

This Government does not contemplate participating actively in that Conference but desires that you, or in your absence a member of your staff, attend as an observer. If you have any comment or suggestion to make regarding this assignment please telegraph at once.

Background material for your information will be transmitted by mail.

HULL

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548.D1/295

*The Secretary of State to the Secretary General of the League of Nations (Avenol)*<sup>3</sup>

The Secretary of State of the United States of America acknowledges, with appreciation, the communication from the Secretary General of the League of Nations, dated March 18, 1936,<sup>4</sup> with its enclosure, informing him that an Inter-Governmental Conference would be convened at Geneva on July 2, 1936, with a view to arranging a system of legal protection for refugees coming from Germany. It is noted that the Secretary General desires to be informed whether the Government of the United States of America intends to be represented at that Conference, and if so, by whom, and that he calls attention to the privilege extended this Government to suggest additional questions for inclusion in the agenda of the Conference.

As the status of all persons coming to the United States of America is fully defined by existing legislation, this Government does not contemplate participating actively in the proposed Conference nor does it contemplate becoming a party to any convention which may be drafted at the Conference. The Government of the United States of America does desire, however, if such an arrangement would be agreeable, to have Mr. Prentiss B. Gilbert, American Consul at Geneva, attend the meetings of the Conference as an observer, or, if he be unable to attend, to have a member of his staff designated by him serve in that capacity.

In view of the circumstances cited in the preceding paragraph, this Government does not desire to comment concerning the agenda of the Conference.

WASHINGTON, April 7, 1936.

<sup>3</sup> Transmitted to the Minister in Switzerland in instruction No. 3469, April 7.

<sup>4</sup> Not printed.

548.D1/314

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

WASHINGTON, June 6, 1936.

Reference is made to the Department's telegraphic instruction of even date<sup>5</sup> designating Mr. Curtis T. Everett as an observer at an Inter-Governmental Conference to be held at Geneva on July 2, 1936, with a view to arranging a system of legal protection for refugees coming from Germany.

In connection with the Conference under reference, there is transmitted herewith a memorandum which has been prepared in the Department for the use of Mr. Everett.

## [Enclosure—Memorandum]

The Department has designated an observer at the Inter-Governmental Conference, to be convened at Geneva on July 2, 1936, with a view to arranging a system of legal protection for refugees coming from Germany, but does not wish this designation to be interpreted as indicating a desire on the part of the United States Government to participate actively in that Conference.

The German refugee problem has as one of its basic elements, in relation to the United States, the question of the immigration laws governing the admission of aliens into the United States.

These laws, and the regulations issued thereunder, are contained in large part in Section 361 in the Consular Regulations, with which the observer should familiarize himself to such an extent as to be able to answer any questions or give such advice as may be requested with reference to the conditions under which refugees from Germany, as well as all other classes of immigrants, may be admitted into the United States.

Under normal conditions, the legal protection of refugees of all nationalities in the United States is provided in this country primarily by the local and State authorities, and not by the authorities of the Federal Government. There would be serious difficulties, both legal and administrative, in trying to enforce in the United States any convention requiring the establishment of uniform rules throughout the country for the legal protection of alien refugees.

With respect to the question of the deportation of alien refugees, it is the practice of the Federal Government to arrange for transportation and subsistence to the actual place of residence abroad of all persons deported or repatriated in accordance with the immigration laws. Arrangements are made for special care and attention when

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<sup>5</sup> Not printed.

the condition of the deported person requires it. The necessary passports and visas are obtained in order that the deported or repatriated person will have no difficulty in passing in transit to his own country. It is the practice of the Government not to deport or repatriate aliens who cannot obtain travel documents admitting them to some other country. Deportations and repatriations are generally not carried out in cases where it is shown that there would be danger to the alien's life in the country to which he is to be sent.

As to the treatment of alien refugees in the United States, there is generally speaking no legal distinction, as regards the standing of an individual under the law, between an American citizen and an alien residing in the United States. Such legal protection as is granted to American citizens may therefore be considered in general as covering equally the cases of aliens in this country.

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548.D1/315 : Telegram

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

GENEVA, June 22, 1936—4 p.m.

[Received June 23—9 a.m.]

240. 1. Referring to paragraphs 1 to 3 of enclosure to Department's instruction of June 6th concerning Refugee Conference, Everett inquired whether he is correct in assuming that the Department prefers that he refrain from speaking on the floor of the Conference in reply to possible inquiries relative to American immigration laws and regulations. Any statements made on the floor might be construed by the public as active participation. Moreover, such inquiries, if thus encouraged, might go beyond technical matters. Everett suggests that he might arrange to inform the President of the Conference on any pertinent points in American laws and regulations and that the President could then elucidate them to the Conference as occasion might arise. Everett would also reply, of course, to any personal inquiries from individual delegates.

The Finnish representative here will likewise attend as an observer. He tells me that it is his intention to reply to any inquiries either privately or by written statements which he will hand to the Secretary of the Conference.

2. Department's telegram 56, June 6, 4 p.m.<sup>o</sup> Does the Department desire that I notify Everett's designation to the Secretary General or is notification being transmitted through Bern.

3. Please instruct.

GILBERT

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<sup>o</sup> Not printed.

548.D1/316 : Telegram

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

WASHINGTON, June 25, 1936—4 p.m.

79. Your 240, June 22, 4 p.m.

Paragraph 1. Everett's assumption is correct that he should not speak on the floor of the Conference. He may, however, furnish written information concerning pertinent American laws and regulations to the President of the Conference either in advance or during the course of the Conference. He may also reply informally to personal inquiries.

Paragraph 2. The Secretary General has been notified through Bern that this Government desired you or a member of your staff to follow the Conference as an observer. See note of April 7 to Secretary General. You should notify him of Everett's designation.

PHILLIPS

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UNSATISFACTORY TRADE RELATIONS BETWEEN THE UNITED STATES AND GERMANY;<sup>7</sup> GERMAN REPRESENTATIONS AGAINST IMPOSITION OF COUNTERVAILING DUTIES BY THE UNITED STATES

600.628/26

*The Ambassador in Germany (Dodd) to the German Minister for Foreign Affairs (Von Neurath)*<sup>8</sup>

No. 712

BERLIN, January 28, 1936.

EXCELLENCY: Pursuant to instructions from the Secretary of State,<sup>9</sup> I have the honor to invite Your Excellency's attention to the following matter:

*Note Verbale* No. III A 3174, of November 26, 1935, from the Ministry for Foreign Affairs,<sup>10</sup> in reply to a request made on behalf of the United States Treasury Department that facilities be afforded for obtaining information deemed essential to the proper appraisalment and assessment of duties on merchandise entering the United States from Germany, was duly transmitted by the Embassy to the Department of State and through the latter to the Treasury Department of the United States.

The Department of State has now informed the Embassy that the Treasury Department has acknowledged the receipt of the *Note Verbale* of the German Foreign Office and has noted the apparent posi-

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<sup>7</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 438-477.

<sup>8</sup> Transmitted to the Department by the Ambassador in Germany in his despatch No. 2658, February 10; received February 19.

<sup>9</sup> Instruction No. 539, January 14, missing from Department files.

<sup>10</sup> Not printed.

tion of the German authorities in refusing information concerning the operation of the scrip procedure on the ground that such procedure in no case results in the receipt by the German exporter of a total payment for an export transaction in excess of the foreign or export value of the goods involved. In this connection the Treasury Department has stated that a principal reason for its interest in the operation of the scrip procedure with reference to German exports to the United States is the responsibility of the Treasury under Section 303 of the United States Tariff Act of 1930.<sup>11</sup>

The State Department has further informed the Embassy that in a communication dated December 6, 1935,<sup>12</sup> the German Ambassador at Washington, on instructions of his Government, gave formal confirmation that the funds built up under the German law, approved June 28, 1935, imposing a levy on German industry, have not been used to promote exports to the United States and will not be used in future for that purpose.

In taking cognizance of this statement of the German Ambassador, the Treasury Department points out that it is under the duty of considering whether any of the other methods by which the German Government encourages exports are in use with respect to exports to the United States and whether the use of such methods constitutes the bestowal of a bounty or grant within the meaning of Section 303 of the Tariff Act of 1930, and places upon the Treasury Department a mandatory duty to impose countervailing duties under that section. The Treasury Department's representatives in Germany having so far been unable to obtain satisfactory information from the German Government or otherwise, that Department has requested the Secretary of State to obtain from the German Government definite information on the subject.

The Treasury Department has summarized as follows its present understanding of the procedures used to promote exports, and the points which should be clarified:

"1. *Blocked marks.* It is understood that under special permission of the German exchange control authorities, so-called blocked funds (foreign-owned accounts frozen in Germany) may be used in payment of the whole or a specified part of the price of merchandise exported from Germany. Since these blocked marks may be purchased at a discount from their foreign owners, the authorization of their use to the specified extent results in a saving in cost to the purchaser of the German merchandise. It is important to know the extent to which the use of the various classes of blocked marks is permitted in connection with exports to the United States, the classes of exports for which such use may be authorized, and the portion of the purchase prices which may be paid in blocked marks.

<sup>11</sup> 46 Stat. 590, 687.

<sup>12</sup> *Foreign Relations*, 1935, vol. II, p. 476.

"2. *Aski marks.* Aski marks are understood to consist of deposits by German importers to the credits of foreign shippers or correspondent banks in payment for imports into Germany, which may be made only under governmental permit at prices approved by governmental authority. The purposes for which disbursements from Aski accounts may be made are strictly limited, but include payments for certain classes of merchandise exported from Germany. Because of the restrictions upon their use, Aski marks are available at a discount, loss to the American owner being usually offset by a premium included in the price fixed in the permits for the importations into Germany. The Treasury Department would like to be informed as to the extent to which Aski accounts are available for use in connection with exports to the United States, the classes of merchandise exported to the United States which may receive the benefit of the procedure, and the portion of the purchase price of each class which may be paid in Aski marks.

"3. *Bond and Scrip Procedures.* It is understood that by special permission of the German exchange control authorities, exporters of goods from Germany may be permitted to use the proceeds of export sales for the purchase on foreign exchanges of German bonds which may be resold at a profit on German exchanges. It is also understood that payments of interest and principal on certain foreign-owned German securities, public and private, are required to be made to a conversion bank known as the *Konversionskasse*. The *Konversionskasse* pays the foreign owner of the security one-half of the amount due in currency and one-half in scrip redeemable at an uncertain date. The scrip is repurchased by the German *Golddiskont* Bank from owners who are willing to sell it at a fifty percent discount, and resold to German exporters at a slightly less discount. The exporters may redeem it at the *Konversionskasse* for its face value. An exporter is allowed to purchase only such an amount of bonds or scrip as will net him a profit sufficient to offset losses on the export transactions. It is desired that specific information be obtained as to the extent to which, and the conditions on which, these procedures may be followed in connection with exports to this country."

Both in his note of December 6, 1935, and on other appropriate occasions, the German Ambassador at Washington has not failed to place the staff of the Embassy at the disposal of the competent American authorities for information regarding the use of registered marks and similar procedures, in connection with the imports of goods from Germany into the United States. However, in view of the Treasury's request that definite information be obtained from the German Government clarifying the points summarized above, and in view of the citation by the Treasury Department of its responsibilities under Section 303 of the Tariff Act of 1930, I have been instructed by the Secretary of State formally to present the foregoing statement of the Treasury's position and its request for definite information.

In bringing the foregoing to Your Excellency's attention, I have been instructed to request that the German Government be so good as to furnish as definite reply as possible to the several points submitted.

I avail myself [etc.]

WILLIAM E. DODD

611.6231/746

*Memorandum by Mr. Rudolf E. Schoenfeld of the Division of Western European Affairs*

[WASHINGTON,] February 3, 1936.

Conversation: Dr. Puhl, Director of the Reichsbank;  
Dr. Hartenstein of the German Ministry of Economics; and  
Mr. Sayre.<sup>13</sup>  
Mr. Dunn<sup>14</sup> and Mr. Schoenfeld were also present.

Doctor Puhl and Doctor Hartenstein called on Mr. Sayre this morning. Doctor Puhl said he had read with interest Mr. Sayre's recent book *America Must Act*. He expressed the opinion that the thesis of the necessity for greater imports if there were to be greater exports would be novel to most Americans.

Mr. Sayre said he was convinced that freer commercial intercourse was essential to improved world conditions. The only hope, we felt, of producing such a condition was through the most-favored-nation policy. The world was suffering, in our opinion, from a system of discriminations. Any bilateral preference meant discrimination against fifty odd countries. Only by the general extension of concessions was it possible to open up channels of trade. For this reason, we felt that we could not make exceptions in individual cases as this would defeat the main aims of our program.

Doctor Puhl said that the German Government shared the views of this Government regarding the necessity of freer trade. Germany, however, was so completely tied down by clearing arrangements that it had practically no free foreign exchange. These arrangements had been forced upon it by countries which were chiefly interested in assuring payment of coupons and interest due their own nationals. Germany would very much like to be able to utilize its exchange for the purchase of necessary American products, such as cotton and lard. The clearing arrangements, however, made it impossible to get at the money. The problem for Germany was how to make a start in breaking down this system.

Mr. Sayre went on to say that he was impressed with the similarity of the problems of economic disarmament and military disarmament. The frontiers were simply bristling with economic barriers of one sort or another. Many countries seemed to regard it as necessary to invest available funds in armaments rather than in imported goods which would expand international trade. Obviously, it was impos-

<sup>13</sup> Francis B. Sayre, Assistant Secretary of State.

<sup>14</sup> James C. Dunn, Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs.

sible for any one country single-handed to bring about a solution.

Doctor Puhl said that in Germany very little foreign exchange went into armaments. The Reichsbank was in fact surprised at how small the amounts were. Germany's armaments were produced in the main from domestic raw materials. Germany regarded its armament activities largely as it did public works, namely, as a measure to relieve unemployment.

Mr. Sayre said that we were most desirous of improving the level of our trade with Germany if this could be done without sacrificing the broad principles underlying our program. He would heartily welcome any suggestions as to ways in which the level of trade might be raised.

Just at present a further question was causing him great concern. This was the problem of countervailing duties. The Treasury was interested in the question as to whether bounties or subsidies were paid on German exports to the United States through Aski accounts and other devices. In fact, a request for information on these devices had recently been presented to the German Government.<sup>15</sup> Mr. Sayre pointed out that, if bounties or subsidies were paid, it was mandatory upon the Secretary of the Treasury to impose countervailing duties.

Doctor Hartenstein indicated that no subsidies were paid by the German Government on exports to the United States; that German exporters had been obliged to find some way of meeting the devaluation of the dollar; that the Aski system had been devised to meet this situation; and that if it were outlawed, this would render the export problem increasingly difficult. Mr. Sayre said that he realized that, when the countervailing-duty provision of the Tariff Act was framed, the authors probably did not have in mind the question of devaluation. He had alluded to the situation, however, in order to indicate the difficulties.

Mr. Sayre again expressed his deep interest in receiving any suggestions calculated to expand German-American trade.

R. E. SCHOENFELD

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611.623/119 : Telegram

*The Acting Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, March 19, 1936—6 p.m.

26. Your 59, March 7, 11 a.m.<sup>16</sup> Treasury letter of March 16 expresses hope that any representations in which the State Department is interested may be presented at an early date, as the Treasury Depart-

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<sup>15</sup> *Supra.*

<sup>16</sup> Not printed.



ment contemplates issuing on March 30, 1936, a Treasury Decision announcing the application of countervailing duties to certain German goods.

Tell Germans of this and point out that unless information requested January 28 is received very promptly, it cannot be used for further consideration of this contemplated Treasury action.

PHILLIPS

611.623/120 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, March 20, 1936—1 p.m.  
[Received March 20—10:05 a.m.]

87. Your 26, March 19, 6 p.m. Verbally informed Foreign Office this morning as instructed. Foreign Office repeated information to Schacht's<sup>17</sup> office and has now verbally informed Embassy of latter's approval of reply which will be returned to Foreign Office promptly and is expected to reach Embassy on Monday.

DODD

611.623/121 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, March 23, 1936—3 p.m.  
[Received 4:09 p.m.]

91. My 87, March 20, 1 p.m. Foreign Minister's reply delivered Saturday evening consists of covering note with appended statement and two printed annexes.<sup>18</sup> Statement being translated and will be cabled after note which reads in translation as follows:

"In reply to your esteemed note of January 28, 1936, No. 712, I have the honor to transmit to Your Excellency the information requested by the Secretary of the Treasury from the German Government concerning the German measures for the promotion of exports to the United States of America in the attached statement with annexes of the competent inner German offices.

The German Government feels it may assume that when the Secretary of the Treasury has examined the enclosures he will arrive at the conclusion that the prerequisites for applying the regulations of the American customs law governing the levying of special additional duties do not apply to goods imported from Germany. Therefore, in the opinion of the German Government the necessity of further con-

<sup>17</sup> Hjalmar Schacht, German Minister for Economic Affairs.

<sup>18</sup> For text of statement, see Ambassador's telegram No. 92, *infra*; annexes not printed.

siderations of this question by the Treasury agents and also the reasons for demanding special single entry bonds of American importers of German goods as prescribed in section 623 of the customs law<sup>19</sup> would be obviated. The competent offices have, however, put themselves at the disposal of the Secretary of the Treasury in case he desires supplements to, or explanations of the information contained in the annex.

The German Government would be grateful to Your Excellency if you would draw the attention of your Government to the following cardinal points in this connection:

So far as the German Government is informed the intention is not that the protective tariff stipulated in the customs law is to be increased by the above-mentioned special regulation of the American customs law (section 201/202—of the Emergency Tariff Act 1921<sup>20</sup> concerning anti-dumping duties and section 303 of the Tariff Act 1930 concerning countervailing duties). The idea is rather to counteract measures whose aim it is to attenuate or render ineffectual the customs protection provided for in the case of individual import transactions or in the case of imports of certain goods or groups of goods. Far be it from the German Government to apply measures whose aim it is to attenuate or worse yet to render ineffectual the customs protection provided for in the customs law in order to promote German exports to the United States. On the contrary the special measures which the German Government has adopted in order to promote German exports must be looked at from different points of view. They are the inevitable result of international currency conditions on the shaping of which Germany is unable to exercise decisive influence. The devaluation of the dollar and the currencies of other important countries in international trade in conjunction with the adherence to the gold parity of the Reichsmark currency have resulted in the dislocation of the purchasing power parity of the various currencies and consequently have necessarily also resulted in a dislocation of the level of the prices of goods expressed in German currency as compared with the level of the prices of the same goods expressed in American currency. The German measures for promoting foreign currency only aim to adjust these dislocations at least in part and partially to remove the effects of the present abnormal international currency conditions. They are limited to this aim. They are not intended to influence the legal and natural economic factors which are decisive for competition. If the German Government properly understands the history of the American customs legislation and the text of the above-mentioned American regulations relative to the imposition of special duties, the German measures for promoting exports to the United States both as regards their purpose and their practical application are not measures that the American legislature intended to strike at with the above-mentioned regulations at a time when international economic conditions were totally different than they are today. In fact the conditions on which the foreign exchange adjustment procedure is to be applied as discussed in detail in the enclosure already show that if only in the interest of the German foreign exchange situation the German authorities assure themselves in the case of each export transaction to the United States carried out with the aid of that procedure that the com-

<sup>19</sup> Tariff Act of 1930; 46 Stat. 590, 759.

<sup>20</sup> 42 Stat. 9, 11.

petitive situation brought about by the American customs law is not changed by the approval of that transaction.

If despite that fact special additional duties should be imposed on exports to the United States which at best are only partially released by the foreign exchange adjustment procedure during obstacles arising from the currency conditions the result would be that Germany would be practically excluded from imports to the United States. It would be unavoidable that such a development would react upon the gradual satisfaction of the American creditors to whose initiative the use of their frozen balances in Germany for purposes of German exports is attributable and upon German purchases of goods from the United States which have already shrunk to a regrettable degree. Furthermore, such a development would also destroy the hope—perhaps for a long time to come—of placing mutual trade relations on a new treaty basis on the principle of most-favored-nation treatment and in this way improving the volume of German-American trade by removing avoidable trade barriers. The German Government believes it is of one opinion with the American Government in this aim. In order to attain this aim the German Government is now examining the possibility of submitting to the American Government concrete proposals of a similar nature as the agreements which the United States has made with other particular European countries on the basis of the Trade Agreements Act of June 12, 1934.<sup>21</sup>

(Closing salutation and signature omitted).[<sup>22</sup>]

DODD

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611.623/122 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, March 24, 1936—1 p.m.

[Received 6 p.m.]

92. My 91, March 23, 3 p.m. The following is translation of the statement annexed to the note:<sup>22</sup>

“The Foreign Exchange Clearing Methods Used in Commerce With the United States

1. *Blocked Marks.*

Blocked marks arise from claims of foreign creditors from capital transactions which cannot be transferred when due, as a result of the German foreign exchange regulation. Through their use in partial payment of commodity exports, the creditors are given the possibility of realizing on their [frozen] holdings.

The creditors themselves decide whether they desire to relinquish these holdings with or without discount; the Reich Government exercises no influence hereon. The form of blocked mark predominantly employed in these transactions is the registered mark.

<sup>21</sup> 48 Stat. 943.

<sup>22</sup> Corrected on the basis of copy transmitted by the Ambassador in Germany in his despatch No. 2727, March 25; received April 2.

A. *Registered marks.* Registered marks arise in that a foreign creditor, on the basis of the Standstill Agreements,<sup>23</sup> recalls in Reich marks his claim payable in foreign currency and has the Reich mark sum credited to him on a special registered account. Registered holdings are employed, in addition to travel purposes, also for the partial payment of [German] commodity deliveries to the United States. The employment is usually permitted for [warehouse] articles. The sub-annex<sup>24</sup> contains a list of the groups of commodities at present included in the registered account procedure. The goods must be produced in Germany. In addition to these commodities investment deliveries, e. g. the erection of complete machinery plants, ship construction, et cetera, may also be paid for in registered marks.

Applications for the granting of permits for the employment of registered marks may only be made by that foreign creditor which arranged the transaction and which is prepared to make available its registered credit account for this purpose. It is a premise for the approval that the German supplier firms be granted satisfactory prices. Hereby the use of registered marks is restricted to the payment of net commodity prices. Additional costs, such as freight, insurance charges, consular fees, commission for purchasing agents and such like are to be paid in full by the American purchaser in foreign exchange or free Reich marks.

On the basis of the experience gathered since the existence of the registered holdings settlement, 30 to 95 percent (previous to March 1, 1936, up to 100 percent) of the export price are released from registered holdings for the payment of the goods admitted to the procedure. In the most important groups the following release percentages are applied: toys and Christmas decorations up to 95 percent; iron and metal ware such as cutlery, tools, notions, up to 60 percent; musical instruments up to 70 percent; ceramic products except porcelain tableware up to 90 percent; leather gloves up to 80 percent; wooden goods up to 50 percent; glassware up to 50 percent; textile goods up to 50 percent; cloth and knit gloves up to 70 percent; fine mechanical and optical goods 30 to 50 percent; printing and paper products except books up to 50 percent.

In 1935 about one-tenth of German exports to the United States was transacted with the partial use of registered marks.

B. *Credit and Amortization Blocked Marks.* In addition to the registered marks, occasionally other forms of blocked marks are also used in commodity traffic with the United States, as for example credit and amortization blocked marks. Their use is subject to the following regulations:

In accordance with the foreign exchange regulations issued by the German Government, permission may be granted for the payment of a maximum of 25 percent of the invoice sum of new commodity deliveries for the own account of the original holder of a blocked account, insofar as the rest of the amount of the invoice accrues in foreign ex-

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<sup>23</sup> For correspondence relative to the 1931 agreement, see *Foreign Relations*, 1931, vol. I, pp. 323-357 *passim*; text printed in *The Financial News*, London, September 15, 1931. For correspondence concerning the 1933 agreement, see *Foreign Relations*, 1933, vol. II, pp. 430 ff.; for text, see *The German Credit Agreement of 1933* (Druckerei der Reichsbank, Berlin).

<sup>24</sup> Not printed.

change or free Reich marks. A release of more than 25 percent takes place only in special cases insofar as it is required by the personal affairs of the applicant, e. g. when private persons desire to pay for occasional purchases of books, modern art objects, souvenirs, et cetera, from their blocked accounts or if it can be proven to be for the payment of an export transaction for which the granting of a higher release percentage seems justified in view of the individual case. The extent of the German export business transacted with the United States with the aid of credit and amortization blocked marks is comparatively slight.

## 2. *Aski Mark.*

The remarks in the note of the American Embassy concerning the opening of Aski accounts are correct.

From the annexes Nos. 2 and 3 of the attached Decree of the Reich Office for *Devisenbewirtschaftung*—RE. 237—of December 27, 1935, (designated as sub-annex 2),<sup>25</sup> it may be seen for what goods deliveries to the United States payment from Aski accounts is at present impossible. In the main these are goods in the case of which Germany must in part herself resort to imports to meet domestic requirements or raw material goods or commodities which require a larger proportion of foreign raw materials.

Whether, and to what extent, the goods not mentioned in annexes Nos. 2 and 3 when exported to the United States, are actually paid for from Aski accounts depends on the free decision of the parties to the transaction in the individual case.

In the case of imports from the United States settled for via Aski accounts, the purchase price of the goods exported in exchange to the United States can be paid in full via Aski.

Concerning the discount of the Aski mark mentioned in the note of the Embassy, the following may be said: Since within a given period of time the value of the goods imported into Germany via Aski is higher than the value of the German Aski exports to the United States, and since, moreover, the terms of payment for imports from the United States are, in general, shorter than for German export transactions to the United States, there arises an excessive supply of Aski marks and a corresponding discount insofar as, and to the extent that, the American Aski holder[s are prepared] to relinquish their accounts with a rebate. On the German side everything was done to prevent the arising of such a discount. As may be seen from the above-mentioned attached circular [of] December 27, 1935, the offices entrusted with the supervision of imports are instructed to make a point of not granting higher prices for goods imported to Germany by clearance via Aski and merely to permit the prices usual in regular international commercial traffic.

The amount of Aski funds available for the German export [trade] to the United States depends on the amount of the value of the goods imported from the United States under the Aski arrangement.

As is known, the Aski arrangement, in part, only got under way in the second half of 1935. This explains why, [according to data] hitherto available, the German exportation settled via Aski account with the United States has not yet reached one tenth of the German exportation to the United States. Its development, however, shows an upward trend.

<sup>25</sup> Not printed.

### 3. *Bond and Scrip Procedure.*

Concerning [the] scrip procedure, the German Embassy [in] Washington presented a *note verbale* to the State Department on November 18, 1933,<sup>26</sup> in the name of the German Government, in which the nature of scrip, the scrip procedure, and the premises of the approval of scrip transactions were explained. Here also the reasons were expounded why in the opinion of the German Government the regulations of section 303 of the Tariff Law of 1930 and of sections 201/202 of the Emergency Tariff Act of 1921 cannot be applied to the German export business transacted with the aid of the bond and scrip procedure. In this respect reference may be made to the information given at the time, especially as the essential viewpoints are correctly reproduced in the note of the American Embassy of January 28.

Since November 1933, no basic change has occurred in the scrip procedure described—nor in the bondage procedure transacted in the same manner. These procedures have merely been concentrated from a banking point of view in the German Gold Discount Bank—for general reasons of foreign exchange control—insofar as the Gold Discount Bank both purchases for the exporter the obligation in question (bonds, scrip, conversion accounts) and pays out to the exporter the corresponding margins in accordance with the viewpoint sketched below. Hereby it may be remarked that the predominance has shifted from the scrip procedure to the bonds procedure, as the German Discount Bank has meanwhile given notice of termination of its [original offer] to purchase the scrip [from the] foreign creditors at a fixed quotation, and now only purchases the obligations (bonds, scrip, conversion accounts) at the current quotations.

The bonds and scrip procedure is used in a considerable part of German export business to the United States, namely when exporting goods which are offered in considerable quantity, in a quality equal to that of German production, on the American market [by such] countries, competing with Germany, as can make particularly favorable prices as a result of the devaluation of their currency. Conversely, all promotion by the scrip and bonds procedure is out of the question in the case of such goods as encounter no—or no essential—competition from other supplying countries on the American market.

The examination offices instituted for this purpose [rule] on applications for approval of a scrip transaction. They examine and decide whether in the individual case the premises for the use of the procedure are given and whether the selling prices billed are correct. In order to obtain permission for the execution of a bond or scrip transaction the exporter must clearly show that:

(a) as a result of depreciated currency competition the order cannot be obtained for Germany if the bond and scrip procedure is not applied and that therefore in this sense, it is a case of supplementary exports;

(b) the selling price of the export goods is under no circumstances lower than the price at which the goods is generally offered in the open market in the United States;

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<sup>26</sup> Not printed.

(c) price slashing and mutual underbidding in foreign markets are refrained from and suitable prices are achieved for German quality production;

(d) the export value declared in the consular invoice plus foreign exchange adjustment is in no case higher than the German domestic value.

#### 4. *Promotion of Exports Through the Self-Help Action of German Business.*

The declaration made by the German Embassy at Washington under date of December 6, 1935, and referred to in the American note of January 28, is confirmed, namely:

With the change in the German procedure for export promotion which took place July 1, 1935, no change took place in the procedure [obtaining] hitherto for the promotion of German exports to the United States. As in the past, bonds, scrip, or conversion accounts are purchased to the necessary extent. In particular no sums from the revenue from the voluntary self-help action of German business, in accordance with the law of June 28, 1935, concerning the collection of levies on industrial business, are employed for exports to the United States.[<sup>27</sup>]

The printed material in two sub-annexes consists of (1) a long list of goods admitted and excluded from registered mark procedure and (2) Foreign Exchange Control Board circular of December 27, 1935, already furnished in copy and translation with Berlin Consul General's voluntary report No. 409, January 10.<sup>27</sup> Texts by *Bremen*, leaving March 25.

DODD

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611.6231/752

#### *Memorandum by the Chief of the Division of Trade Agreements (Grady)*

[WASHINGTON,] March 30, 1936.

When Dr. Hans Hartenstein came to see me with Dr. Meyer<sup>28</sup> on February 4 [3], we discussed our withdrawal of most-favored-nation treatment of German imports. Dr. Hartenstein had little to suggest in the way of a solution of German-American trade relations that had not been suggested by Dr. Ritter last October.<sup>29</sup> He frankly admitted that Germany could not at once give us most-favored-nation treatment on exchange allocation. He said, however, that he was giving continued study to this matter and I suggested that he might care to make some quite informal suggestions which we could study.

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<sup>27</sup> Not printed.

<sup>28</sup> Ernst Wilhelm Meyer, First Secretary of the German Embassy in Washington.

<sup>29</sup> Karl Ritter, Head of the Economic Section of the German Foreign Office. See *Foreign Relations*, 1935, vol. II, pp. 438 ff.

He said he would do this, sending any plan he had to Dr. Meyer who in turn would give it to me informally.

Dr. Meyer called today and said the German Embassy had received a cable this morning outlining a suggestion for the reestablishment of most-favored-nation treatment by Germany through the plan attached herewith. I discussed this plan with Dr. Meyer, for I at once saw certain objections to it. I stated, however, that it would be given the most careful study and that I would talk to him later. I suspect suggestion of a plan has been influenced by the information which the German Government has regarding countervailing duties on German imports into the United States. Dr. Meyer called my attention to the fact that the German Government was now making payments on the Dawes-Young loans and was showing in other respects a desire to develop good will with the United States. He, of course, made no direct reference to the prospects of countervailing duties on German imports.

While the outline of the attached plan is not entirely clear, it does indicate certain interesting developments in German policy. It seems to indicate a willingness to depart from the established German policy of bilateral balancing.

H[ENRY] G[RADY]

[Annex]

*The German Government's Suggestions*

WASHINGTON, March 30, 1936.

(1) Re-establishment of reciprocal unconditional most-favored-nation treatment.

(2) Assurance of allotment of foreign exchange on the principle of a "representative period", such allotment to be subject to deductions if warranted by the foreign exchange situation.

Insofar as there are import embargoes and monopolies in force in Germany, appropriate quotas and shares in the monopolies will be accorded. Normal year to be 1933 or average of years 1931 to 1933. It is taken for granted that Aski and private compensation transactions will be allowed to continue to the same extent as heretofore. Extent of foreign exchange allotment and of quotas will not be made dependent upon German export volume. Tendency is gradual increase of American imports. Temporary goal to be attained: no restriction of importation of any commodity below the level of 1935, on the contrary, an average increase of at present 10 percentum over 1935 ought to result.



In selecting commodities the importation of which is to be increased, American wishes will be given every possible consideration.

(3) The ratio 1:3 for private compensation transactions is discontinued as far as foreign exchange is allotted as outlined above.

(4) Provision of an anti-dumping clause as agreed upon in the exchange of notes between the Department of State and Netherlands Director of Trade Agreements.<sup>30</sup>

(5) Duration of such a provisional agreement to be one year, subject at any time to notice of intention to terminate it, if development of foreign exchange situation renders impossible allotment of foreign exchange, as outlined under (2).

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611.6231/753

*The Ambassador in Germany (Dodd) to the Secretary of State*

No. 2739

BERLIN, April 3, 1936.  
[Received April 17.]

SIR: I have the honor to enclose a single copy, with translation, of a memorandum, dated April 2, 1936,<sup>31</sup> which was handed to Mr. Flack<sup>32</sup> at the Foreign Office on that day. Mr. Flack's visit was occasioned by a telephone call from Geheimrat Dr. Davidsen, of the American Section, in which the latter stated that he had certain information which he would like to communicate to the Embassy, and suggested that the former call at his office in this connection.

In handing over the memorandum for the information of the Embassy, Dr. Davidsen said that the proposals mentioned therein had been presented by the German Embassy in Washington to Mr. Grady on April 1, 1936, in substantially the same language. The memorandum was received merely as information and no discussion whatever took place concerning it other than a recounting of the details therein and the private remark by Dr. Davidsen that the proposals had been approved by Dr. Schacht on the evening of March 27 and that they perhaps represented the full extent to which Germany might be able to go in that direction for some time to come. In conclusion, Dr. Davidsen said that the German Embassy in Washington had cabled saying that Mr. Grady had replied when handed the proposals, that he would examine them carefully and benevolently.

Respectfully yours,

WILLIAM E. DODD

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<sup>30</sup> Reciprocal trade agreement between the United States and The Netherlands, signed December 20, 1935, Department of State Executive Agreement Series No. 100, or 50 Stat. 1504.

<sup>31</sup> Not printed, but see German Government's suggestions, *supra*.

<sup>32</sup> Joseph Flack, First Secretary of Embassy in Germany.

611.6231/782

*Memorandum by Mr. Charles F. Darlington, Jr., of the Division of Trade Agreements*<sup>33</sup>

[WASHINGTON,] April 22, 1936.

1. With regard to the imports to be admitted into Germany from the United States, the German memorandum suggests as the "temporary goal to be attained", first, "no restriction of importation of any commodity below the level of 1935" and, second, "an average increase of at present 10 per centum over 1935." How, specifically, does the German Government propose to allow and make possible payment by Germany for this increased volume of imports from the United States?

2. a) How does the German Government interpret the term "foreign exchange" as it is used in the first line of paragraph 2 of the German memorandum?

b) In particular, how is the calculation to be made: i) of the total sum of foreign exchange at Germany's disposal in the representative period and of the proportion thereof that was employed for payments to the United States; and ii) of the total sum of foreign exchange at Germany's disposal in the period to be covered by the suggested arrangement?

c) Further in particular, how does the German Government propose to interpret the term foreign exchange as applied to the allotment to be made for payments to the United States in the period to be covered by the suggested arrangement? The German suggestions include the sentence, "It is taken for granted that Aski and private compensation transactions will be allowed to continue to the same extent as heretofore." Is this sentence to be interpreted as meaning that settlements of payment for imports into Germany from the United States effected by these two methods are to be considered as allotments of foreign exchange for the purpose of the assurance suggested in the first part of paragraph 2 of the German memorandum?

3. a) How, in the view of the German Government, is the "assurance of allotment of foreign exchange on the principle of a representative period . . . 1933 or average of years 1931 to 1933" to be reconciled with the statement that "an average increase (of American imports) of at present 10 per centum over 1935 ought to result"?

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<sup>33</sup> This memorandum is a draft of questions to be submitted to Ernst Wilhelm Meyer, First Secretary of the German Embassy, regarding the interpretation of the German memorandum of March 30, p. 222.

On April 8, Dr. Meyer, in a conversation at the Department of State, had given his personal understanding of the memorandum but had requested a written list of questions for reference to the German Government (611.6231/751). The list of questions as presented to Dr. Meyer was apparently dated May 5, 1936, but the only copy found in the files is the draft here printed. For the German reply, see memorandum from the German Embassy, June 24, p. 236.

b) It is noted that the "allotment of foreign exchange on the principle of a representative period" is to be "subject to deductions if warranted by the foreign exchange situation." i) Is it the thought of the German Government that by means of these deductions the two ideas mentioned in the preceding paragraph may be harmonized? ii) Is it the intention of the German Government in the phrase "if warranted by the foreign exchange situation" to convey to the United States the understanding that the foreign exchange situation may be such that no deductions will be necessary?

4. Has the German Government in mind any specific commodities imported from the United States which it would wish to except from the operation of the principle of the representative period "if warranted by the foreign exchange situation"?

5. What treatment does the German Government propose to give to goods the import of which into Germany from the United States had disappeared entirely in 1935?

6. A general amplification of the thought contained in paragraph 3 of the German memorandum would be desirable. In particular:

a) Does the statement "the ratio 1:3 for private compensation transactions is discontinued" mean that private compensation transactions which would, in the absence of the suggested arrangement take place at 1:3, under the arrangement be made at the ratio of 1:1?

b) In what respect is this statement to be considered as being modified by the phrase "as far as foreign exchange is allotted as outlined above"?

c) How does the German Government propose to treat private compensation transactions which would, under existing regulations, take place at ratios other than 1:3?

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611.0031/2198

*Memorandum by the Secretary of State*

[WASHINGTON,] May 4, 1936.

Dr. Leitner, Counselor of the German Embassy, called to say goodbye prior to leaving for Berlin where he stated he would be located and given charge of the political side of the work of the Foreign Office and charge of the division known as "American Nations".

After expressing personal friendliness and many sincere regrets at his departure, and strongly commenting on the very fine official record of service Dr. Leitner had made here in Washington, I remarked that I was especially gratified on the other hand to learn that he would be in the Foreign Office, as a result of which our two Gov-

ernments could, I hoped, deal much more understandingly and hence mutually beneficially with each other. I then stated that, of course, I had all along understood the viewpoint of his Government and his people with respect to some of the political questions, especially those relating to the Versailles Treaty; that now that his Government was getting those phases behind it, the question of permanent economic policies, in my judgment, would become all-important alike to his country and mine, as well as to other important countries. I then undertook to elaborate by saying that of course our countries could proceed further in support of the narrow, bilateral trading method, surrounding it with every sort of clearing arrangement and an increasing number of other arbitrary and artificial and short-sighted devices, but it would be with the certain knowledge that fundamentally such narrow course would only make things gradually worse; that if all the important countries like Germany and the United States should continue for an indefinite time to adhere to narrow commercial policy, upon the theory that sooner or later they would gradually embrace a broad and liberal policy such as the United States is pursuing at present, it would be questionable whether the nations would ever consider themselves prepared to halt and embark upon the broader course; that an inevitable result, as experience already had demonstrated, would be more chaotic economic conditions both internally and externally, more unemployment, lower living standards, less production and distribution, more tendencies in military directions, more attempts at huge armaments by most countries or all countries, and resultant grave danger politically, economically and socially, and in every other important respect.

I then, without mentioning names, pointed out to him my recent experience with another important trading nation, which, while agreeing that the reciprocity program of the United States was the only wise policy for suitable trade and economic recovery, persists in going steadily forward with all of the narrow and arbitrary practices and methods and devices that constitute a part of the exclusive bilateral trading policy, with the result that that country was not really getting anywhere temporarily with its foreign trade, but, far worse and more important, that such narrow course was seriously obstructing the United States Government in its efforts to carry forward its program of liberal commercial policy for the normal restoration of international finance and trade; that the United States Government was continuing, at some real sacrifice, to wage a fight for economic liberalism, the benefits of which went alike to other important trading nations, and that no one of such nations should overlook this phase; that if each country pursuing narrow commercial policy should cling to the idea of following this course for an indefinite time in the future, upon the theory that it might get some temporary advantages

or benefits, or in any event until the time and conditions would be more propitious for it to halt and move in the direction of liberal commercial policy,—such fatuous plan would inevitably prove disastrous, for the reason that the time would never be deemed just exactly propitious for such basic change of economic policy.

I then made special reference to Germany and to her ability, under her present narrow and arbitrary and artificial trade and financial policies, which I enumerated, to displace a substantial portion of the United States markets in Latin America, adding that Germany was not increasing her international trade by this narrow policy; that she was exporting considerable capital; that she could and would to an important extent, by arbitrarily and artificially displacing our Latin American trade for example, handicap the United States Government in its efforts to carry forward its present program for trade restoration. I stated that this Government itself could, of course, pursue the same narrow course, but it would be like taking opium, it would leave this Government worse off in the long run, just as it was leaving all the important nations of Europe worse off. I called his attention to our refusal to sell German agencies 800,000 bales of cotton for the reason that it would discredit and break down the central point in our liberalized trade agreements program. I concluded with the suggestion that I felt encouraged to know that Dr. Leitner would be in the Foreign Office in the capacity already defined, and that, no doubt, he would exercise himself in the direction of broad commercial policy such as this Government is pursuing and that he would persuade his Government to do likewise.

Dr. Leitner very emphatically expressed his appreciation of the fight this Government is making for broad trade restoration, his approval of this course, and he concluded by saying that he would strive to induce his Government to join in its support, and finally added that it would do so.

C[ORDELL] H[ULL]

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611.623/160

*Memorandum by the Assistant Economic Adviser (Livesey)*

[WASHINGTON,] June 5, 1936.

Dr. Meyer called to inquire regarding the Treasury press release of June 4 regarding countervailing duties on certain imports from Germany.<sup>84</sup>

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<sup>84</sup> The Treasury Department by its order (T. D. 48360) of June 4, 1936, gave notice that, pursuant to the provisions of section 303 of the Tariff Act of 1930, countervailing duties would be collected on certain goods from Germany after thirty days following publication of order (June 11, 1936).

He said the decision would practically stop trade with Germany. I told him that in correspondence this spring in Germany (the Embassy had not known of this correspondence) the German Government had said the same thing. The question had been very seriously considered here from all points of view and, as stated in the Treasury announcement, the Treasury decision was based on an opinion of the Attorney General.<sup>35</sup> I had not seen this opinion and did not know what was in it. As to the Treasury decision, it listed certain commodities and said that official reports and other data in the files of the Treasury Department establish to its satisfaction that bounties and/or grants are paid and/or bestowed directly or indirectly on the export to the United States of these articles. So far the decision is notice that other articles are not subject to countervailing duties and presumably will not be, without thirty days' notice of any subsequent decision.

Dr. Meyer said that nevertheless the decision would throw importers into uncertainty and practically stop trade. He said it was important to the Embassy to learn the extent of the decision, whether it extended to the bond and scrip procedure, registered marks and aski marks or only to some of them or to some only when used in combination with others. The bond and scrip procedure was perhaps more susceptible of attack as a bounty or grant than registered marks or aski marks. Germany got no great advantage from registered marks, which served merely to reduce German debt, and the use of which for exports yielded no foreign exchange to Germany—he thought that one of the articles listed in the Treasury decision (cotton and rayon gloves) was eligible only for registered mark assistance. He did not concede that any of the practices came within the spirit of the Act, which was directed against unfair trade. It might be that some of the procedures under some circumstances would not be within the effects of the decision. If so, it would be helpful to let the German Government, hard hit by the decision, know, and also to let importers know.

I told him that the Attorney General's opinion might have dealt with broad questions of principle, either in general terms or with reference to the particular facts of the Treasury cases before him. I was not sure that it would be desirable or possible to evoke from the Treasury officials who are to be guided by the decision in its application to particular cases, any statement of general principle, nor what would be the Treasury policy as to publicity on such matters. Naturally there would be numerous inquiries concerning the decision. I thought the Embassy was well advised in making oral rather than formal inquiries at the present moment and I would endeavor to ascertain within the Department of State what the situation is.

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<sup>35</sup> 38 Op. Atty. Gen. 489.

Dr. Meyer said he might have gone to Customs Commissioner Moyle, as he has frequently done on such matters, but Mr. Moyle has but recently returned from Europe. One of his assistants, Mr. Cartwright? [*sic*], who had been very helpful in these matters, is ill. Mr. Johnson, head of the legal staff of the Bureau might not feel that he is authorized to discuss the decision.

I told Dr. Meyer I would put his request for information promptly before the Department and hoped to telephone him about it soon.

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611.623/140: Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, June 12, 1936—noon.  
[Received June 12—8:45 a.m.]

176. During a conversation last evening with Ministerial Director Wohlthat who is in charge of the Reich foreign exchange office, Ministry of Economics, he brought up the subject of the recent decision respecting countervailing duties (see Department's circular instruction June 5, 3 p.m.<sup>36</sup>). He recalled the questionnaire (see our 92, March 24, 1 p.m.) and had hoped that it had convinced our Government that Germany was not applying to the United States the subsidy practices which prevailed with other countries and to which we objected.

Wohlthat felt it most unfortunate anything of the nature of the countervailing duties should arise between the two countries. He said he was at a loss to understand the basis for the action and was contemplating the desirability of sending some one from here to go into the whole matter at Washington with a view to clarifying the situation and trying to make a satisfactory arrangement. Wohlthat said that he was in some quandary as to the method or procedure and asked my personal opinion. I said that I, of course, shared his desire to have difficulties removed and that if he wished to initiate something along the line of his remarks he might ask the Foreign Office to instruct the German Embassy at Washington to discuss with the Department the desirability of having some one come from here to go into the matter. While Wohlthat did not say so definitely I got the impression that he might do something of this sort. For this reason it seems best to give you this summary of our conversation and also you might wish me to pass the word on to him informally that you would be agreeable to his idea if it should be carried out in the manner I suggested.

MAYER

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<sup>36</sup> Not printed.

611.623/141 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, June 13, 1936—2 p.m.

[Received 3:10 p.m.]

179. My 176, June 12, noon. From conversation and general comment here we have the impression that the Treasury decision has aroused considerable feeling in Government circles. The Germans consider its abruptness is to be deplored and that it is unfortunate that especially at a time when they are making every effort in a number of ways, by visits and conversations in Washington, et cetera, to try to bring about a general improvement in German-American economic financial relations.

We also have the impression that, while they clearly would not wish to do so, the Germans may be obliged to consider the principles of application of their own protective legislation, unless between now and July 11 some satisfactory arrangement can be arrived at and methods discovered which, at least, would isolate the Treasury decision until the cause for the selection of the present for its issuance could be ascertained and remedial measures found, thus permitting German-American trade to continue for the present.

While we have no detailed background, we feel that the present obstacle affords a certain bargaining advantage which we might usefully employ in an effort towards an improvement of German-American relations.

MAYER

611.623/182

*Memorandum by the Assistant Economic Adviser (Livesey)*

[WASHINGTON,] June 15, 1936.

Dr. Meyer brought in a formal note<sup>87</sup> in which the German Ambassador on instructions from his Government protests against the Treasury decision announced June 4 imposing countervailing duties on certain imports from Germany.

Dr. Meyer said that the Ambassador had at first felt that he should come in and discuss the matter with the Secretary. On further thought, however, he agreed that it was best not to present general considerations too vigorously and repeatedly but rather to try to see what could be done to improve the situation by conversations among experts.

<sup>87</sup> *Infra.*



Dr. Meyer said that he had talked the matter over during a two-hour conversation with Assistant Secretary Gibbons<sup>38</sup> and Acting Chief Counsel of the Customs Bureau Johnson last Thursday or Friday. He had said that without conceding that the practices complained of were subsidies, it was still necessary to recognize that the decision on the point had practically the force of law for Americans. However, it was not a decision of the usual type imposing countervailing duties on a single commodity such as Irish whisky or Latvian butter, but a decision of unprecedented scope which was likely almost to destroy trade between the United States and Germany, possibly force Germany, for lack of foreign exchange, to suspend payments on the Dawes and Young Loans, and to fail to discharge its obligations under the Standstill Agreement. In this connection Dr. Meyer pointed out that when Germany loses its market for Christmas tree decorations in the United States, there was no possible chance of placing the goods elsewhere and making up the loss of exchange which has been suffered. With the very small amount of gold held by Germany, he seriously felt that these suspensions of trade and payments might be inevitable and his mention of these possibilities was not intended in the least to be a threat.

What interested him in the circumstances was not to discuss generalities but to endeavor to see whether some means could not be worked out informally in discussion with the Treasury experts—he knew there could be no formal undertaking—to limit as narrowly as possible the harm to be caused by the countervailing duty decision. He made three suggestions:

(1) That the time for application of the decision be extended as long as possible beyond July 11;

(2) That inasmuch as the practices now acted against have existed and been known for three years, the case for the application of countervailing duties has been so doubtful that the interested officials referred it to the Attorney General for decision, and in the meanwhile American importers acting in reliance on the apparent legality of these practices, had entered into contracts providing for imports at dates much later than July 11, would it not be possible to allow the execution of contracts entered into before the Treasury decision was announced, which cannot profitably be executed if the Treasury decision is applied against them?

(3) Would it not be possible for the Treasury to take informal steps to remove the destructive uncertainty created by the decision, by such measures as indicating for the information of assessors and Treasury agents some maximum and minimum limitations on the application of countervailing duties, determining with more exactitude what rates would eventually apply on individual commodities, and other measures of this kind?

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<sup>38</sup> Stephen B. Gibbons, Assistant Secretary of the Treasury.

Dr. Meyer said that trade can adjust itself to known obstacles but that it cannot go on when there is uncertainty as to the costs and terms of transactions.

Dr. Meyer said that he had made these suggestions without instructions from his Government, but when instructions were received last Saturday, he was gratified to find that they were not disapproved. He asked whether he might not be again referred to the Treasury to inform them of the note he was delivering to the Department of State, and to continue the search for ameliorative expedients. Perhaps the Department of State would lend some assistance by some high official telephoning Mr. Taylor<sup>89</sup> or Mr. Gibbons and expressing the opinion that serious consideration should be given to Dr. Meyer's suggestions and expressing the hope that something satisfactory might be worked out through them. However, if anything of this kind were done, he hoped care would be taken that no impression be created that he was appealing to the State Department from the Treasury officials. In fact he had the highest opinion of Mr. Gibbons and particularly of Mr. Johnson's legal skill, he really felt that he could get along very well with them without the intervention of the Department of State, and he did not want to give the impression that he was running around talking with everyone about the execution of Section 303 of the Tariff Act. He could explain to them that he had had to come to the Department of State to deliver the formal note, that he had naturally had an informal discussion of the matter, including a statement of points he had already raised with them. With these precautions as to the Treasury susceptibilities, Dr. Meyer hoped that some high official of the State Department might express to the Treasury its hope that practical expedients might be found to limit the damaging effects of the countervailing duty decision.

I told Dr. Meyer that he already had been referred to Mr. Gibbons, and had entrée there, and desiring to have urgent consideration of the problem, the Department would certainly have no objection to his calling again on Mr. Gibbons and letting him have, as Dr. Meyer had suggested, a copy of the German Government's formal note.

I asked Dr. Meyer to repeat his three points. In doing so, he again referred to the wide scope of the destructive effects of the decision, and mentioned that if the United States did not in some manner meet Germany half-way, and therefore the full destructive possibilities of the decision became effective, the destruction of trade, employment, payments, et cetera, might react unfavorably on public opinion regarding the Secretary of State's trade policies. He remarked that unfortunate incidents were constantly happening on both sides of the fence. He referred to Dr. Schacht's address in Athens reported in

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<sup>89</sup> Wayne C. Taylor, Fiscal Assistant Secretary of the Treasury.

the *New York Times* this morning, June 15, in which Schacht had praised the regime of bilateral balancing of trade. He said the Embassy had already telegraphed Berlin excerpts from this article and had called attention to the effect it would have in the United States. He said he knew that as a matter of fact Schacht does not feel the way he is quoted as speaking. His remarks were evidently intended to cater to the opinion of those before whom he was speaking.

I told Dr. Meyer I would report our conversation to higher officials of the Department, who, he could be assured, appreciate the importance of the matter.

Dr. Meyer said he would be glad to come in and discuss the matter with Mr. Sayre or any other high official at any time that they indicate. He is asking Mr. Gibbons for an interview this afternoon or tomorrow morning—Dr. Meyer will be out of town Wednesday.

As he was leaving, Dr. Meyer said that the Foreign Office had been so closely in harmony with his suggestion that practical expedients for taking care of this tremendously important situation be found, that it had suggested willingness to send two experts from Berlin to discuss such expedients with the Treasury. Dr. Meyer said that this was a very unusual course of action. He said that he hoped that the State Department could support the effort to find practical expedients and perhaps even arrange to have someone from this Department sit in meetings with him and Mr. Gibbons or Mr. Johnson to work out such expedients. He again emphasized that whatever was done along this line would of course have to be informal—there was no possibility for formal agreements as to the interpretation or execution of the law.

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611.623/144

*The German Ambassador (Luther) to the Secretary of State*

[Translation]

WASHINGTON, June 15, 1936.

MR. SECRETARY OF STATE: By order of my Government, I have the honor to make the following communication to Your Excellency.

The German Government has taken note of the issuance of an order of the United States Treasury Department of the 4th instant (T. D. 48360), according to which certain groups of goods exported from Germany to the United States directly or through a third country are to be subjected, from July 12th of this year on, to the requirement of a special bond when brought into American domestic trade and to the subsequent application of special duties under Section 303 of the Tariff Act of 1930, in addition to the collection of the ordinary duties.

In the Foreign Office's note of March 20, 1936,<sup>40</sup> to the American Ambassador in Berlin, the German Government has already explained the reasons for which, in view of the abnormal currency conditions prevailing in the world, special measures for compensating for exchange are indispensable if German exportation to the United States is not to be practically completely stopped, which would lead to consequences necessarily unpleasant even to American exporters. It also expressed in the note its reasons for the conviction that the protective provisions of Section 303 of the Tariff Act of 1930, promulgated by the American legislative branch for an entirely different set of circumstances, cannot be applied to the methods of compensation of exchange exercised in connection with German exportation to the United States.

The German Government maintains the pertinent statements in the note mentioned. Nor can it see in the possibility, which is indeed granted by the Tariff Act of 1930, of taking legal measures before the American customs courts, after the actual imposition and collection of special duties under the Treasury Department's order, a satisfactory means of clarifying the situation. The German Government therefore finds itself compelled to lodge a protest against the United States Treasury Department's order of the 4th instant, mentioned at the beginning [of this note].<sup>41</sup>

Accept [etc.]

LUTHER

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611.6231/776 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, June 17, 1936—6 p.m.

[Received June 17—3:25 p.m.]

187. Reichsbank Director Brinkmann, one of Schacht's principal advisers in Ministry of Economics, and Ministerialrat Ludwig Imhoff, specialist in American affairs in that Ministry, expect to sail for New York on the steamer *Bremen* from Hamburg, June 29th, accompanied by stenographer Dietermann. In requesting letters to American customs officers for Brinkmann and Imhoff today, Foreign Office communication stated they were going on official business of the German Ministry of Economics for the purpose of trade negotiations.

I understand unofficially that Brinkmann is supplied with full powers to discuss recent Treasury decision and to conclude some arrangement with the competent American authorities looking towards maintenance of present trade. Please see my 176, June 12, noon and 179, June 13, 2 p. m.

MAYER

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<sup>40</sup> See telegram No. 91, March 23, 3 p.m., from the Ambassador in Germany, p. 215.

<sup>41</sup> Brackets appear in the file translation.

611.6231/777 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*BERLIN, June 20, 1936—7 p.m.  
[Received June 20—2:40 p.m.]

194. My 187, June 17, 6 p.m. Have just had long frank unsolicited talk with Brinkmann at luncheon. He tells me that to date Foreign Office has not received word from Washington that our Government desires his presence and the discussion. Incidentally, Brinkmann would bring Baer of Foreign Office with him in addition to Imhoff.

Brinkmann who is Schacht's man of confidence made excellent impression. He has a complete ready knowledge of German and world economic financial situation. His approach to countervailing duties matter appears to be on same big scale as his conceptions of world problems and would not be, in a narrow sense, inveighing against Treasury decision or the law on which it is based.

I feel that Brinkmann's visit and the opportunity it would offer to go thoroughly into the matter should contribute to the solution of the particular question at issue as well as toward a better understanding by Germany of the fundamentals underlying your whole economic policy. I therefore venture to hope that nothing will be permitted to prevent Brinkmann's visit.

MAYER

611.6231/777 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, June 22, 1936—7 p.m.

79. Your 194, January [June] 20, 7 p. m. We are telling the German Embassy here,

(1) That, with a view to precluding any possibility of misunderstanding, Doctor Brinkmann should have clearly in mind that existing laws with regard to countervailing duties are mandatory and the Executive Branch of this Government cannot waive their application where the technical factors require such application; and

(2) That subject to the limitation thus imposed by law, the authorities here will be glad to receive Doctor Brinkmann and to give detailed consideration to any other matters that Doctor Brinkmann desires to discuss.

You may convey the foregoing to Doctor Brinkmann informally.

HULL

611.623/144

*The Acting Secretary of State to the German Ambassador (Luther)*

WASHINGTON, June 24, 1936.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note dated June 15, 1936, in which, pursuant to instructions from the German Government, Your Excellency protests against the Treasury Decision (T. D. 48360) announced June 4, 1936, instructing Collectors of Customs to suspend liquidation of entries covering certain merchandise imported directly or indirectly from Germany after thirty days after publication of the Decision in the printed Treasury Decisions, and to require a deposit of estimated countervailing duties applicable on such merchandise under Section 303 of the Tariff Act of 1930.

The note of the German Foreign Office dated March 20, 1936, to which Your Excellency refers was duly transmitted to the competent authorities of this Government charged with the execution of the Tariff Act of 1930. I am transmitting for their consideration a copy of the note acknowledged hereby.

Accept [etc.]

WILLIAM PHILLIPS

611.6231/783½

*The German Embassy to the Department of State*

## MEMORANDUM

Answers to the Questionnaire dated May 5, 1936 <sup>42</sup>*Answer to Question No. 1.*

It is intended to allow and make possible payments for the increased volume of imports specifically as follows:

The value of Germany's imports from the United States in 1935, according to the German statistics, amounted to 241 million RM. An increase by 10 per centum will result in imports from the United States valued at approximately 265 million RM for the first year of the duration of the agreement. This amount represents the minimum allotment of foreign exchange for the first year. If the foreign exchange situation makes it possible to increase the allotment beyond that figure, the German Government is willing to do so.

The German proposal is based, as it was said, upon the assumption that Aski and private compensation transactions are to continue to the same extent as heretofore.

<sup>42</sup> See memorandum by Mr. Charles F. Darlington, Jr., April 22, and footnote 33, p. 224.

With regard to Germany's imports from the United States, the ratio of Aski and private compensation transactions to payment in actual foreign currency and by acceptance credits has been approximately  $\frac{2}{3}:\frac{1}{3}$ . Therefore, foreign-exchange allotments to make possible imports valued at 265 million RM would be granted as follows:

$\frac{2}{3}$ =	approximately 177 million RM for payment of Aski and private compensation transactions,
$\frac{1}{3}$ =	“ 88 “ “ for payment in foreign currency and by acceptance credits.

Further details may be found in the answers to the subsequent questions.

*Answer to Question No. 2 (a).*

“Foreign Exchange” (in German “Devisen” or “Devisenzuteilungen”) comprises every kind of payment of imports of foreign commodities, whether by actual foreign currency or by acceptance credits, or by Aski and private compensation transactions.

In accordance with the principles of Germany's foreign exchange management known as “The New Plan” every payment of imports of foreign goods is subject to a license (a so-called foreign-exchange certificate (*Devisenbescheinigung*)) by the control office established for the particular group of commodities. The control offices are authorized by a central office to issue foreign-exchange certificates for the payment of imports by actual foreign currency or by means of acceptance credits to such an extent only as is determined in the case of certificates for foreign currency, by the actual amount of foreign currency on hand, and in the case of certificates for acceptance credits, by the amount of foreign currency expected to be received with certainty up to the maturity of the credits. The issuance of such a certificate guarantees, therefore, to the foreign seller (exporter) prompt payment at maturity in the currency agreed upon. The Aski permit is an assurance to the foreign seller that payment of the imported goods will be effected at maturity in Reichsmark to a bank account from which shipments of German goods to the country of origin of the imports may be paid. The compensation permit guarantees to the foreign seller the payment of the imported goods through the use of the proceeds from exports to the country of origin of the imports.

*Answer to Question No. 2 (b) (1).*

The total sum of foreign exchange at Germany's disposal in a “representative period” and the proportion thereof employed for payments to the United States are calculated from the German import statistics,

because they correspond approximately to the value of Germany's total imports and to the value of imports into Germany from the United States as shown by the German statistics for the time prior to the adoption of the principles governing at present the German foreign-exchange management.

For example: In case that 1933 is agreed upon as "representative period", the value of total imports into Germany in that year amounted to 4,203,612,000 RM, while the imports from the United States for the same period had a value of 482,772,000 RM=11.5 per centum. As to the "deductions which may be required by the foreign-exchange situation", cf. the answer to Question No. 3 (a).

*Answer to Question No. 2 (b) (2).*

The total sum of foreign exchange at Germany's disposal in the period to be covered by the suggested agreement cannot be stated in advance. It is made up as follows: From the total sum of foreign exchange received either in foreign currency or through Aski and private compensation transactions, or by payments to clearing accounts, certain necessary payments outside of imports must be—before anything else—made abroad, such as, for instance, freight, insurance payments, commissions and similar service payments, interest under the standstill agreement, foreign service and certain other administrative expenses. The balance is allotted by the control offices to the payment of the various imports in accordance with directions given by a central office. In this connection it should be noted that the receipts of foreign exchange, insofar as they result from Aski and private compensation transactions or from payments to clearing accounts, may in turn only be used for the payment of Aski, compensation and clearing transactions.

The control offices would be instructed to allot foreign exchange for purchasing American goods in the amount of the proportion of the total foreign exchange corresponding to the United States. As to the calculation of this proportion, cf. the answer to Question No. 3 (a); with regard to the apportionment of foreign-exchange allotments to actual foreign currency and acceptance credits on the one hand, and to Aski and private compensation transactions on the other hand, cf. the answer to Question No. 1.

*Answer to Question No. 2 (c).*

An interpretation of the term "foreign exchange" has been given in the answer to Question No. 2 (a). The sentence "It is taken for granted that Aski and private compensation transactions will be allowed to continue to the same extent as heretofore" is to be interpreted as meaning—as stated correctly in the Questionnaire—that settlements of payments for imports into Germany from the United States effected by these two methods are to be considered as allotments of foreign



exchange for the purpose of the assurance suggested in the first part of paragraph 2 of the German memorandum.

*Answer to Question No. 3 (a).*

The sentence "Assurance of allotment of foreign exchange on the principle of a proportion of a representative period (1933 or the average of the years 1931 to 1933), subject, however, to such deductions as the foreign exchange situation may require" is adequately explained and amplified by the statement that "an average increase of the imports from the United States amounting, for the present, to 10 per centum over 1935 ought to result". If that statement had not been made in the German memorandum, it would have remained doubtful to which extent the deductions mentioned before might be made. This additional statement (increase by 10 per centum over 1935) was intended to illustrate the meaning of the phrase "deductions such as the foreign-exchange situation may require".

In the year 1933, for instance, the value of the imports from the United States was

483 million RM=11.5 per centum of the total German import value;

in 1935 it was

241 million RM=5.8 per centum.

If the year 1936 were chosen for the duration of the agreement, the total value of imports into Germany would presumably amount to about 4.2 billion RM. To allot foreign exchange for imports from the United States to the extent of 11.5 per centum of the total import value expected to reach the sum of 4.2 billion RM, is at present impossible due to Germany's difficult foreign-exchange situation. It would, therefore, be necessary to make deductions from that sum which would result if merely the principle of a representative period were to be applied. In order to convey to the American Government an understanding of the extent to which such deductions altogether are proposed, the German proposal contains the statements that

(a) "the imports of any commodity will not fall short of the level of 1935 through the deductions in question"

and that

(b) "the result should be an average increase of the imports amounting for the present to 10 per centum over 1935".

This is tantamount to imports from the United States in an amount of at least 265 million RM for the year to be chosen as period of the agreement, the understanding being that payment will be effected as heretofore, i. e. two thirds of the total imports to be settled through Aski and compensation transactions. Insofar as the licensing of Aski and private compensation transactions is concerned, a limitation is

warranted as bilateral transactions cannot be increased at will by the German partners alone.

The deductions will vary according to commodities. In this connection American wishes shall be given consideration as far as possible. An excess of the total volume of the imports from the United States over the value of the imports in 1935 plus 10 per centum, cannot, for the reasons stated, be assured at this time, on the other hand, it need not be considered impossible either, this question being dependent upon the development of the foreign-exchange situation.

By way of explanation the following examples are given:

(a) *Cotton* (German classification schedule No. 28a).

Imports of cotton into Germany from the United States in 1933 amounted to 74.1 per centum of the total German cotton imports; in 1935 it was but 20.6 per centum of the total. The total imports into Germany from the United States having decreased, as outlined above, from 11.5 per centum in 1933 to 5.8 per centum in 1935, the percentage of the decrease of imports of cotton from the United States being considerably larger, however, an important part of the increase of imports from the United States as shown to be possible in the German proposal might be given to the imports of cotton.

(b) *Cash Registers* (German classification schedule No. 891 D 3).

Imports of cash registers from the United States amounted to 75.5 per centum of the total imports of cash registers into Germany in 1933; in 1935 the percentage was 93.1 per centum. Taking the year 1933 as a basis, no deduction from the sum resulting by applying the principle of a representative period would be necessary.

*Answer to Question No. 3 (b) (1).*

The necessary harmony of the two ideas "representative period" and "deductions such as the foreign-exchange situation may require" will be found in the answer to Question No. 3 (a).

*Answer to Question No. 3 (b) (2).*

Deductions from the total import volume which is calculated exclusively on the principle of a representative period will certainly be necessary. It is, however, very well possible that no deductions may be necessary in the case of certain commodities.

*Answer to Question No. 4.*

The German Government does not propose to exclude any specific commodities from the operation of the principle of a "representative period" as outlined above.

*Answer to Question No. 5.*

Goods the import of which into Germany from the United States has disappeared entirely in 1935 may be included in the procedure,

provided the total import volume for imports into Germany from the United States as stated above (imports in 1935 plus 10 per centum) is not exceeded.

*Answer to Question No. 6 (a).*

Yes, insofar as private compensation transactions to the extent as stated before (1935 plus 10 per centum) are concerned.

*Answer to Question No. 6 (b).*

The phrase "as far as foreign exchange . . ." shall not be considered as modifying the statement.

*Answer to Question No. 6 (c).*

1:1.

WASHINGTON, June 24, 1936.

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611.623/209

*Memorandum by Mr. Rudolf E. Schoenfeld of the Division of Western European Affairs*

[WASHINGTON,] July 6, 1936.

Dr. Brinkmann, Dr. Imhoff and Dr. Baer, the German group sent to discuss the effect on American-German trade relations of the recent countervailing duty decision, accompanied by the German Ambassador, called on the Secretary this morning at 10:15.

The Secretary told them that he was very glad to see them; that he thought that it was an excellent idea for them to come to the United States to discuss matters; and that he hoped the results of their stay here would be satisfactory.

Dr. Brinkmann said that the recent countervailing duty decision was very serious for Germany. It affected about one-seventh of the existing volume of German exports to the United States. The press, moreover, indicated that it was the intention of the Treasury Department to extend its application to articles other than those now affected. The German Government had felt obliged to take some measures to meet the situation created by the 40% devaluation of the dollar. Because of internal political considerations, the German Government did not devalue its own currency.

The various export devices used by the German Government had been worked out to meet this situation. The German Government had every desire to meet the requirements of the American law. They were conscious of the objectives of American policy looking toward the increase of international trade and though they knew that the question of countervailing duties was within the jurisdiction of the

Treasury Department, they hoped that the Department of State would help them in working out ways of meeting the situation.

The Secretary explained to Dr. Brinkmann and his associates that we desired to do everything we could to promote trade. We had begun two years ago, perhaps the worst possible moment, to try to liberalize trade practices. The system of bilateral balancing of trade had led to the existing unfortunate situation. The trade during 1935 of the European States which were following this narrow system was less than it had been in the preceding year. Persistence in the narrow policy had progressively lessened export opportunities. We had tried to get other important trading powers to support our program. Many of them agreed that such a program was their ultimate objective but for one reason or another they did not feel that they could act on it at this time. If all countries waited until it was convenient, we should get nowhere. It was essential to make a start and then dozens of ways of improving the situation would open up. If the great trading countries, like Italy and France, and Germany and Great Britain, had started two years ago, we should be much further along than we are. We felt that the only hope of improvement lay in the favored nation principle.

The Secretary said that he had told Dr. Stucki, the Swiss representative, that if the European statesmen would proclaim publicly that they intended to devise and pursue more liberal trade policies, he was sure that such pronouncements would have a beneficial effect. Instead they agreed privately that these liberal policies were their ultimate goal but nobody really knew about it. He wished that the German statesmen might find it possible openly to support our freer trade policy.

He had explained our policy on a number of occasions to Ambassador Luther. He was glad to have the opportunity to outline our views to Dr. Brinkmann and his associates.

We had made considerable progress in educating the people of this country to the need of a liberal trade policy. It had been necessary to fight against opposition here as well as abroad, but at the present time two-thirds of the American press of both political parties supported our trade program. There was, of course, some criticism from a small section of the press and some of the small bore politicians.

The Secretary said that he had no doubt that the Administration would come through in November and we should then go forward with our reciprocal trade treaty negotiations with the great trading powers.

The Secretary said that he understood that Dr. Brinkmann and his associates were to discuss the question of countervailing duties with officials of the Treasury Department this afternoon. He was sure

that the officials there would be glad to talk with them and he hoped that these conversations would be helpful.

The Secretary added that all of his associates in the Department of State would at all times be available and that they would be glad to consider sympathetically such matters as Dr. Brinkmann and his associates wished to present.

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611.623/203

*Memorandum by the Assistant Economic Adviser (Livesey)*

[WASHINGTON,] July 6, 1936.

Conversation: Doctors Brinkmann, Imhoff and Baer, with Messrs. Feis,<sup>43</sup> Livesey, Deimel,<sup>44</sup> Fowler<sup>45</sup> and Schoenfeld.

Dr. Brinkmann said that the delegation was to discuss the countervailing duty matter with the Treasury but desired first to have a conversation with State Department officials. After the first sentence or two, Dr. Baer took up the role of spokesman and thereafter Doctors Brinkmann and Imhoff played practically silent parts.

Dr. Baer started to explain a little about German currency practices and, assisted by a few questions, developed an argument that even under the Attorney General's opinion the Treasury should not apply countervailing duties against German products. He fastened on the Attorney General's expression that the difference between the amount a German exporter would receive at the official rate of exchange and the amount that a German exporter actually receives under the German mark practices constitutes a bounty or grant under Section 303 of the Tariff Act. Dr. Baer said that there are really two currencies in Germany, one the free Reichsmark comprising only two percent of the total. For the rest it was incorrect to apply the official rate of exchange and the only basis for computation was the purchasing power parity as determined by bid and offer in each case. If a German exporter selling a bill of goods in the United States for \$600 received 3,000 Reichsmarks instead of the \$2,400 he would receive at the free Reichsmark rate of exchange, the difference did not constitute a bounty or grant since the 3,000 Reichsmarks could not be reconverted into \$600 American money should the German exporter desire to convert it. If the German Government would allow him to convert the 3,000 Reichsmarks into dollars at the free Reichsmark rate, this would con-

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<sup>43</sup> Herbert Feis, Economic Adviser.

<sup>44</sup> Henry L. Deimel, Jr., Assistant Chief of the Division of Trade Agreements.

<sup>45</sup> William A. Fowler of the Division of Trade Agreements.

stitute a bounty or grant, but the German Government does not allow this. Dr. Baer referred to a case which had been discussed ten years ago when he was in the Embassy here in which the Secretary of the Treasury had finally decided that it was impossible to apply countervailing duties because it was a material impossibility to determine the amount of any export assistance which the German exporter might have received.

It was at first understood that Dr. Baer meant that only two percent of Germany's exports was paid in free exchange. Under questioning, however, he explained that he was referring to the monetary system rather than to international trade and that the two percent was the percentage of the total currency which could be classed as free Reichsmarks which the holder within Germany could send abroad at will and which the Reichsbank was prepared, if necessary, to redeem in gold. Dr. Baer said that, for example, an American having \$100,000 and desiring to reside in Germany might decline to do so if he must conform to the requirement that residents in Germany must surrender their holdings of foreign exchange to the Reichsbank. The Reichsbank might then give him a dispensation from this requirement. If then he moved to Germany and took his money with him, converting it into Reichsmarks, those would be free Reichsmarks. Reichsmarks received by a German exporter for his exportations would not be free Reichsmarks and their value could not be ascertained by converting them into foreign currencies at the free Reichsmark rate of exchange.

Dr. Baer further argued that Section 303 was enacted to prevent unfair trade. The German mark practices are not unfair trade. They do no more than offset the 40 percent depreciation of the dollar voluntarily enacted by the United States Government. The Congress in enacting the Tariff Act of 1930, established the amount of protection which American producers should receive and also enacted Section 303 for the purpose of preventing evasion of this protection. The German practices did not evade the protection and in no case granted the exporter any assistance in excess of that needed to offset the devaluation of the dollar since the Tariff Act of 1930.

No attempt was made to reply to these arguments on their merits. The discussion was limited to elucidating them except that general inquiries brought out statements from Dr. Baer that the Germans do not like this system of government-conditioned trade as contrasted with liberty to trade, but see no prospect of ending it until it is possible again to obtain credits to offset unfavorable trade balances—a thing which is now impossible. He said that, for example, if the standstill agreement were now abrogated and foreign creditors were free to withdraw their short-term credits, they would immediately do so with a rush that would violently depreciate the Reichsmarks.

611.623/236

*Memorandum by Mr. Rudolf E. Schoenfeld of the Division of Western European Affairs*

[WASHINGTON,] July 13, 1936.

Dr. Brinkmann, Dr. Imhoff and Dr. Baer called this morning and left with me the attached memorandum <sup>46</sup> outlining a procedure which they had proposed to their Government looking to the avoidance of conflict with Section 303 of the Tariff Act of 1930 relating to countervailing duties.

Dr. Brinkmann said that they were now awaiting an indication from their Government as to whether this procedure was practicable in its main outlines. If the German Government said that it could not institute a system along these lines, he and his associates would probably be returning to Germany very soon. If, on the other hand, it indicated that the proposal offered a possible basis, they might stay here somewhat longer. He would keep us informed.

Under the proposed procedure, German exporters to the United States would abandon the present export devices which the Treasury Department in its decision No. 48360 has ruled conflict with Section 303 and require the levying of countervailing duties.

This new procedure, Dr. Brinkmann said, had been outlined to Mr. Johnson, General Counsel of the Customs Bureau, who seemed to feel that it would not conflict with Section 303 of the Tariff Act.

Dr. Baer pointed out that there might be some question about permitting the proceeds of German sales in the United States to be used by German exporters for purchase of raw materials here because the possible later sale of such raw materials in Germany at a premium might be considered a bounty. The German Government, he said, desired to maintain the volume of its purchases in the United States but if the Treasury objected to the suggested procedure, the German Government might have the dollars converted into pounds and transferred to the account of the Reichsbank with the Bank of England and this money could then be used in third countries! I suggested that perhaps in that case the German Government would decide to convert the pounds derived from the sale of German goods in England into dollars so that it could make purchases in the United States and to convert the dollars derived from its sales here into pounds to finance its purchases of merchandise in England!

Dr. Baer indicated that they had had one serious disappointment here in that they had been unable to obtain postponement of the application of the countervailing duty decision in regard to contracts

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<sup>46</sup> Not printed. See note of August 12, 1936, from the German Ambassador, p. 249.

entered into before the decision was issued. I explained to Dr. Baer that the Treasury Department had gone into this question with the greatest care and had studied the matter at great length in order to see whether anything could be done to meet their wishes. The Treasury officials, however, had come to the conclusion that under our practice, it would be impossible to do so.

Dr. Baer indicated that this entire matter was of the greatest seriousness with Germany. While it applied to only about ¼th of the present volume of trade, it might possibly be extended to as much as 50%. A great many American firms which had not believed that the German practices were in conflict with Section 303 of the Tariff Act of 1930 would now apply to have the decision extended to include additional types of German imports which were competitive with American goods.

Consequently, if no way of avoiding the effects of Section 303 could be devised, the German Government would find itself confronted with the impossibility of obtaining the funds necessary to continue the present volume of trade with the United States or of meeting various types of payments which it was now making. This was not a question of good will or ill will. It would be a matter of actual lack of funds.

I asked Dr. Brinkmann whether there was any likelihood of a general devaluation of the German currency which apparently under the Attorney General's decision would do away with the levying of countervailing duties in so far as existing German export devices were concerned. Dr. Brinkmann said that he saw no prospect of this within the near future. He said that devaluation would only be justified if it meant that Germany was really returning to a free currency. Germany was in no position to do this since its foreign indebtedness was so great that it could not undertake to permit even partial liquidation at this time. Moreover, it did not have the necessary supplies of gold with which in reality to maintain its currency at any fixed gold point.

R. E. SCHOENFELD

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611.623/218

*The German Ambassador (Luther) to the Secretary of State*

[Translation]

WASHINGTON, July 25, 1936.

MR. SECRETARY OF STATE: By direction of my Government, I have the honor to transmit the following declaration to Your Excellency, with reference to my note of June 15, 1936, and in connection with the



decision of the United States Treasury Department (T. D. 48360) of June 4, 1936:

For any transactions concluded after July 25, 1936, which cover the indirect or direct exportation of the following goods to the United States, viz.: photographic apparatus, calf and goat leather, and surgical instruments, the German Government will neither authorize the use of the scrip and bond procedure nor permit the payment of a public or private premium or subsidy, nor the employment of other German means of payment than Reichsmarks freely convertible into foreign currencies or free Reichsmarks usable within the country.

I should be especially grateful to Your Excellency for communication of the above declaration to the United States Treasury Department as soon as possible.

Accept [etc.]

[File copy not signed.]

611.623/220

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*Memorandum by the Secretary of State*

[WASHINGTON,] July 28, 1936.

During the Ambassador's<sup>47</sup> call, he made an earnest plea against our countervailing duty action over at the Treasury Department, and especially against imposing countervailing duties upon an additional list of German exports to this country. The Ambassador was very insistent that this was definitely obstructing Germany's purpose to go forward in the promotion of a broad trade program similar to that of this country. I went over the usual defense of our action, stating that it was entirely under the jurisdiction of the Treasury Department. I said that I hoped Germany would not only find a way to relieve the action complained of but would put forward a broad program for economic rehabilitation somewhat on all fours with our own, and that she would not feel justified in merely confining her utterances and action at present to the dealing with and the disposition of the countervailing duty action. We did not reach anything more definite than usual in this respect.

CORDELL HULL

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862.5151/1727: Telegram

*The Consul General at Berlin (Jenkins) to the Secretary of State*

BERLIN, August 1, 1936—1 p.m.

[Received August 1—9:35 a.m.]

Foreign exchange control order issued today provides "payments from Aski accounts for the deliveries of goods to the United States

<sup>47</sup>The German Ambassador, Hans Luther.

may not be made after August 3, 1936, except deliveries based on contracts closed prior to August 3, 1936. Permits for private barter transactions with the United States shall not be issued after August 3, 1936."

JENKINS

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611.623/224

*The Secretary of State to the German Ambassador (Luther)*

[WASHINGTON,] August 5, 1936.

EXCELLENCY: I have the honor to refer to Your Excellency's note dated July 25, 1936, concerning the exportation from Germany to the United States of photographic apparatus, calf and goat leather, and surgical instruments.

I have now received from the Acting Secretary of the Treasury a letter referring to this communication and stating that in view of the mandatory character of the countervailing duty law, as interpreted in controlling court decisions, it will not be possible to exempt from the application of Treasury Decision 48360 importations of such articles arriving on or after July 12, 1936, when shipped in fulfillment of contracts entered into prior to July 25, 1936, if their exportation from Germany was aided by any of the practices which led to the promulgation of said decision, but in view of the assurances given by the German Government, Treasury Decision 48360 has been amended by a Treasury decision dated August 4, a copy of which is enclosed.<sup>48</sup>

Under this Treasury decision the provisions of the countervailing duty order shall not apply to direct or indirect imports from Germany of cameras, calf and kid leather, and surgical instruments if the collector of customs concerned shall be satisfied by documentary evidence that the contract of purchase or other agreement pursuant to which they were exported from Germany was entered into after July 25, 1936.

Accept [etc.]

For the Secretary of State:  
WILLIAM PHILLIPS

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611.623/225

*Memorandum by the Under Secretary of State (Phillips)*

[WASHINGTON,] August 12, 1936.

The German Ambassador left with me the accompanying note<sup>49</sup> and talked to me at great length about the unfortunate situation which had arisen as a result of the Treasury decision. He laid great stress upon the importance of confining our list of products affected by the

<sup>48</sup> Not printed.

<sup>49</sup> *Infra.*

Treasury's decision to the first list comprising, as I understand it, some ten articles of German export. If this could be done, the Ambassador felt that it was the beginning of possible readjustment.

I wish you <sup>50</sup> would let me know precisely the situation in regard to the application of the Treasury ruling.

WILLIAM PHILLIPS

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611.623/225

*The German Ambassador (Luther) to the Under Secretary of State  
(Phillips)*

[Translation]

WASHINGTON, August 12, 1936.

MR. UNDER SECRETARY OF STATE: By order of my Government, I have the honor to inform Your Excellency of the following, with reference to my note of July 25, 1936:

The German Government has taken measures to the effect that neither the use of the scrip and bond procedure will be permitted nor will the payment of a public or private premium or subsidy or the use of other German currency than Reichsmarks freely convertible into foreign currency or Reichsmarks freely utilizable in Germany be allowed in connection with the direct or indirect exportation of dutiable goods from Germany to the United States of America, in so far as such exportation takes place or may take place on the basis of agreements which were concluded on or after August 3, 1936.

After the explanations of Mr. Brinkmann, Director of the Reich Bank, it appeared advisable to the German Government to eliminate the uncertainty created by the decision of the Treasury Department of the United States of America of June 4 (T. D. 48360) by a comprehensive measure for the whole field of German exportation to the United States of America. However, this will result in another sharp decline in German exports to the United States of America. This decline will not be without an automatic reaction on imports from the United States of America into Germany. The German Government deplores this additional unfavorable development of the trade between the two countries. It has not desired this development, as is evidenced by the trade statistics for the last three or four years. If a further decline in the trade between the two countries has, as it appears, become unavoidable, this is to be attributed only to the latest decisions of the Government of the United States of America.

The German Government herewith repeats its protest against the ruling mentioned, made by the note of June 15, 1936.

Accept [etc.]

LUTHER

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<sup>50</sup> There is no indication as to whom this memorandum is directed.

611.623/227

*The Acting Secretary of State to the German Ambassador (Luther)*

WASHINGTON, August 14, 1936.

MY DEAR MR. AMBASSADOR: On receipt of your note of August 12th, I communicated at once with the Treasury Department and am just in receipt of the reply from the Acting Secretary of the Treasury of today's date.

I enclose herewith a copy of a Treasury Decision of today's date,<sup>51</sup> from which you will note that, in view of the assurances given by the German Government, Treasury Decision 48360 has been further modified so that its provisions are now inapplicable to direct or indirect imports from Germany of the commodities listed therein if the collector of customs concerned shall be satisfied by documentary evidence that the agreement pursuant to which they were exported from Germany was entered into after August 2, 1936, or, in the cases of cameras, calf and kid leather, and surgical instruments, after July 25, 1936.

Very sincerely yours,

WILLIAM PHILLIPS

711.62/116 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, August 18, 1936—5 p.m.  
[Received August 18—3:21 p.m.]

256. Yesterday I saw Foreign Office officials. Nothing decisive said. Today I talked with Dr. Schacht. He spoke for the first time almost with bitterness about our country and the President's Chautauqua speech.<sup>52</sup> He insisted on bilateral agreements, said he would buy nothing else from the United States, would not pay interest on debts to the banks of the United States, and was almost violent in his criticism of recent American-Brazil relations.<sup>53</sup>

When I asked about possible lowering of trade barriers in order to reduce tendency to war, he said of course another great war would mean economic collapse and world-wide Communism. But he then added that Germany had been preparing for war to the limit for 3 years and had paid for everything. He said that the only chance for Germany to cooperate for world peace would be international guarantees of colonial possessions and room for her increasing population; that the United States ought to urge these things upon England, a country which was certainly losing its world position.

<sup>51</sup> Not printed.

<sup>52</sup> For text of speech, see Department of State, *Press Releases*, August 22, 1936, p. 163.

<sup>53</sup> See vol. v, pp. 247 ff.

When I named some things done and said here that alienated American public opinion, Schacht agreed but closed with the wish that next November the President would call an international conference for making proper concessions to Germany.

Dodd

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611.623/247

*The German Embassy to the Department of State*

[Translation]

The German Embassy presents its compliments to the Department of State and has the honor to transmit the following information upon instruction from its government.

The German Government has taken cognizance of the contents of the note of the Department of State dated October 6,<sup>54</sup> according to which the Treasury Department has ruled that the use of registered marks for the payment, in whole or in part, of German merchandise does not necessarily entail the application of the provisions of Section 303 of the Tariff Act of 1930, provided that the registered marks so used were originally and continuously owned by the person for whose account such merchandise is purchased and imported into the United States.

In view of the ruling of the Treasury Department the German Government wishes to inform the United States Government that it desires the purport of its statement of August 12 to be understood to the effect that, in general, it does not comprise transactions where

(a) the purchase price is paid, in whole or in part, in controlled marks, and no other exchange equalization procedure is applied, and where, furthermore, the controlled mark amounts used for payment were originally and continuously owned by the person for whose account the merchandise is imported into the United States;

(b) the purchase price is paid, in whole or in part, with the proceeds from the sale of merchandise imported from the United States, and no other exchange equalization procedure is applied, and where, furthermore, the proceeds from sales used for payment were originally and continuously owned by the person for whose account the merchandise is imported into the United States;

(c) single German and American parties exchange merchandise without any monetary transaction actually taking place, and where no other exchange equalization procedure is applied.

While the German Government regards transactions of this kind only as a palliative which is not adequate to restore German-American trade, it is disposed to make full use of the limited possibilities they offer in order to maintain this trade at least to a certain extent.

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<sup>54</sup> Not printed.

The German Embassy would appreciate it if the Department of State would bring the foregoing to the attention of the Bureau of Customs of the Treasury Department with all possible expedition.

WASHINGTON, October 22, 1936.

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611.6231/848

*Memorandum by the Assistant Secretary of State (Sayre)*

[WASHINGTON,] November 24, 1936.

The German Ambassador called with Dr. Meyer by appointment to discuss the present status of trade possibilities between Germany and the United States. The Ambassador said that he is sailing for Germany tomorrow and he desired to know the present status of trade possibilities so that he might lay the matter before the German Foreign Office upon his return to Berlin. He asked particularly concerning the offer which Dr. Meyer submitted to the Department on behalf of his Government on March 30, 1936, looking to the reestablishment of reciprocal unconditional most-favored-nation treatment in the trade between the two countries.

I outlined to the Ambassador the present situation, following closely the accompanying memorandum<sup>55</sup> which had been prepared by Mr. Hawkins<sup>56</sup> at my request for this interview.

At the conclusion of my remarks, Dr. Meyer went into the matter of the March 30 offer in some detail, describing that it was put forward in order to make it possible for the United States to maintain its principles and yet to trade with Germany. He said that his idea was to establish most-favored-nation treatment even with respect to the allotment of foreign exchange with the great bulk of commodities concerned in the trade, excepting only three or four, albeit very important commodities, such as cotton, lard, and the like, and that with respect to these, the German Government would agree to give most-favored-nation treatment just as soon as it proved possible to do so.

Dr. Meyer, prompted by my references to Latin America, asked whether the conditions imposed by the United States would require Germany to shift its economic relations to a most-favored-nation basis with respect to its trade with all countries or only with that of the United States. I replied that naturally the United States did not desire to dictate to any country what its commercial policy should be, but that we were and are concerned with the effects of German policy upon American trade. In seeking a basis for a possible trade

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<sup>55</sup> Not printed.

<sup>56</sup> Harry C. Hawkins, Chief of the Division of Trade Agreements.

agreement we must insist that Germany should afford to American commerce most-favored-nation treatment such as we have agreed to in our trade agreements with other countries.

Dr. Meyer also added that the German Ambassador had not sought the present interview under instructions from his Government.

The Ambassador then launched into a heated harangue. He said that he had been led to believe that the offer of March 30 would furnish a practicable starting point for discussions for the increase of German-American trade. He next commented on my statement that the German offer of a 10 percent average increase over 1935 in the allotment of foreign exchange fell short by a considerable margin from what would be required by strict most-favored-nation treatment, i. e., roughly about a 100 percent increase. He said that we all knew that Germany simply does not possess sufficient foreign exchange to make it possible for her to pay anything like 100 percent; that by offering 10 percent she was going very far and taking a real risk; that it would serve no purpose for Germany to promise more than she was actually able to pay. He said that a requirement of anything like 100 percent was such an impossibility that it left no room for an agreement. In heated terms he expressed his severe disappointment that now he must go home and carry a message to the Foreign Office different from that which he had given them to expect.

In reply, I said to him that he must not misunderstand my meaning. We have had men devoting constant and hard study on the subject of German-American trade, seeking to find some solution if possible. I said that I was sincerely anxious that some way be found to increase trade between the two countries and that we would not cease to study the problem; in fact, we would continue to have men work on the problem intensively. On the other hand, I said that we could not afford to abandon our policy of requiring strict equality of treatment in our trade agreements, and that an offer to increase the allotment of foreign exchange by only 10 percent in effect amounted to a discrimination against the United States in the allotment of foreign exchange. The mention of the word "discrimination" again aroused the Ambassador, who said that he had not heard that word mentioned since Germany had made debt settlements with respect to the Young and Dawes loans, and that it seemed most unfortunate to have the word arise again. I replied that the word was unimportant and that we might call it instead lack of equality of treatment but that the fact nevertheless remained.

In conclusion, I said that the door was not closed. I still hoped that it might be possible to find some way to increase German-American trade. I said that we would give the most sympathetic consideration to any proposal directed to that end and consistent with the American program which Germany might bring before us.

The interview lasted an hour and a half during which the Ambassador and Dr. Meyer made long dissertations and spoke at times with vehemence. Finally, however, they took their leave at least outwardly in a pleasanter frame of mind.

F. B. SAYRE

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611.623/256

*The Acting Secretary of State to the German Chargé (Thomsen)*

The Acting Secretary of State presents his compliments to the Chargé d'Affaires ad interim of Germany, and transmits the following information received from the Treasury Department in relation to and supplementing the Treasury's statements transmitted in the Acting Secretary's note of this date<sup>57</sup> concerning certain types of transactions which the German Government proposes to permit in furtherance of German-American trade:

The Treasury Department has information concerning plans of traders to engage in transactions which will comply with German regulations but will nevertheless, apparently without the knowledge of the German Government, result in reductions in the cost of German goods to American importers in such manner as may constitute the payment or allowance of a bounty or grant upon the exportation of the goods from Germany. In view of this information, a proper enforcement of the tariff laws of the United States will probably require the promulgation of regulations requiring special declarations from American importers of German goods.

WASHINGTON, December 8, 1936.

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611.623/247

*The Acting Secretary of State to the German Chargé (Thomsen)*

WASHINGTON, December 8, 1936.

SIR: I refer to the Embassy's note dated October 22, 1936, concerning certain types of transactions which the German Government proposes to permit in furtherance of German-American trade.

I have received the following communication from the Treasury Department in relation thereto:

"It is the understanding of the Treasury Department, based upon the contents of the above-mentioned note and conversations between representatives of the German Government and the Treasury Department, that, in respect of German products which are to be exported

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<sup>57</sup> *Infra.*



directly or indirectly to the United States and which are subject to ordinary duties upon entry into this country, the German Government intends to permit:

"1. Payment of the purchase price, in whole or in part, with the use of controlled mark credits, provided that the credits so used have been, from the time they became subject to German governmental control, continuously owned by the person for whose actual account the merchandise is purchased for direct or indirect shipment to the United States.

"2. Payment of the purchase price, in whole or in part, with the proceeds of the sale in Germany of merchandise exported from the United States, provided that such proceeds, until so used, have been continuously owned by the person for whose actual account the American merchandise is sold in Germany and the German goods are purchased in that country.

"3. Combinations of the foregoing two procedures.

"4. Exchange of merchandise between single German and American parties without any monetary transaction actually taking place.

"It is further understood by the Treasury Department, that the German Government will not permit, in respect of German products which are to be exported directly or indirectly to the United States pursuant to agreements entered into after August 2, 1936, and which are subject to ordinary duties upon entry into this country, the use of any currency other than foreign currency or reichsmarks freely usable within Germany without legal restrictions for all commercial purposes, except as above specified, and that the application of bond and scrip procedures, or the direct or indirect allowance of any form of public or private subsidy will not be permitted in any instance. Moreover, the use of controlled mark credits or direct two-party barter will be permitted, as above specified, only when the German Government has assured itself that any sale of American goods which may be involved in the transaction and the purchase of the German goods involved have been effected at the current fair German open-market prices for such goods in the quantities involved, and that any direct barter of American exports for German goods will be on the basis of such German market prices.

"After a careful consideration of the plans of the German Government, as understood by this Department and described above, the Treasury Department is of the opinion that they do not involve the payment or bestowal of any bounty or grant within the purview of section 303 of the Tariff Act of 1930 (U. S. C., title 19, sec. 1303). It should be understood that this opinion contemplates that the purchase of German goods will be made for the actual account of the original and continuous owner of the controlled mark credits used, or of the American vendor of the American exports sold in Germany, and that in no case will the German funds of such owner or vendor be used to purchase German products for the account of any other person or organization; and likewise that the German products exchanged for American goods in any permitted barter transaction will be received for the actual account of the person or organization for whose actual account the American exports were shipped to Germany. The De-

partment does not deem it necessary or advisable at this time to express any opinion as to the applicability or non-applicability of section 303 of the United States tariff act in any circumstances not described in this letter."

As an exact understanding by the Treasury Department of the transactions in German-American trade to be permitted by the German Government will probably be of considerable advantage to traders, I should be glad to receive the German Government's confirmation of the above-stated understanding of its intentions. On receiving such confirmation it is believed that the Treasury Department will wish to make public the contents of the present communication, since the subject-matter is of current interest to many persons.

Accept [etc.]

R. WALTON MOORE

611.623/257

*The German Chargé (Thomsen) to the Secretary of State*

[Translation]

WASHINGTON, December 16, 1936.

MR. SECRETARY: Upon instructions from my Government I have the honor to transmit to you the following information:

In a communication as transcribed in your note of December 8 the Treasury Department has stated its understanding of the transactions in German-American trade permitted by the German Government in accordance with the statements made orally and in writing by official German authorities. The German Government confirms this understanding as being correct. The German Government has taken cognizance that the provisions of Section 303 of the Tariff Act of 1930 relative to the imposing of countervailing duties do not apply to those transactions.

Accept [etc.]

THOMSEN

NEGOTIATIONS FOR A SETTLEMENT OF THE DRIER CLAIM AND THE SABOTAGE CLAIMS OF UNITED STATES AGAINST GERMANY<sup>88</sup>

462.11L5232/551 : Telegram

*The Acting Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, March 14, 1936—3 p.m.

24. From information received understand inquiry may be made by Government authorities as to attitude this Government regarding

<sup>88</sup> For previous correspondence respecting settlement of sabotage claims, see *Foreign Relations*, 1935, vol. II, pp. 477 ff.

settlement sabotage cases now pending before Mixed Claims Commission. Information is that German Government desires to act promptly. Therefore the Department advises you in advance that if such inquiry is made you may state this Government would view with favor a settlement and would be prepared to have proper representative meet with German representative at any convenient time and place provided settlement negotiations would not result in postponement of hearing set May 12 in case settlement is not accomplished by that date.

PHILLIPS

462.11D831/181

*The Secretary of State to the Ambassador in Germany (Dodd)*

No. 585

WASHINGTON, April 21, 1936.

SIR: I refer to previous correspondence in regard to the claim, in the amount of \$500,000.00, that was filed in behalf of Mrs. Katherine M. Drier against Germany before the Mixed Claims Commission, United States and Germany, which on January 14, 1928, granted her an award of \$48,000.00, plus interest, and on April 5, 1929, an additional award of \$250,000.00, plus interest. On November 18, 1932, the American Agent filed a petition with the Commission for a further award in this case, and as a result of discussions between the Agent of the United States and the Agent of Germany they agreed on February 27, 1933, that the claimant should have an additional award in the amount of \$160,000.00. On March 1, 1933, the German Agent informed the American Agent that his Government had approved the settlement, and from then on the claim was included in the list of claims in relation to which tentative settlements had been reached by the two agents in February, 1933.

It was the understanding of the Government of the United States that this settlement was satisfactory to the German Government. However, that Government later declined to include the Drier settlement among the settlements that were to be submitted to the Commission for approval and the entry of awards, stating as a reason therefor that an examination of evidence in the case, said to have been newly discovered, cast suspicion on the claimant's proof.

On May 7, 1934, a meeting of the Commission was held and awards were entered in regard to all the agreed settlements, with the exception of the claim of Katherine M. Drier. Notes were thereupon exchanged by the Secretary of State and the German Ambassador<sup>59</sup> "reciting that all cases that were pending before the Commission were disposed

<sup>59</sup> *Foreign Relations*, 1934, vol. II, p. 492.

of, with the exception of the claim of Mrs. Katherine M. Drier," and stating that the Commission "shall not, in the future, be asked to consider any new cases already decided, other than the Sabotage cases and the Drier case.[""]

The petition for further award that had been filed by the American Agent in November, 1932, was thereupon pressed by him. Upon certification of disagreement by the National Commissioners, the case went to the Umpire. In a decision of July 29, 1935,<sup>60</sup> the Umpire dismissed the first two grounds advanced by the American Agent for the support of the claim, and considered specifically the Agent's third contention, namely, "that the awards (previously given) are juridically wrong, because the Commission had no power to reduce them to an amount less than the sum shown by the undisputed proof to be the amount of loss suffered". The Umpire held, however, that the case could not be reopened for the consideration of errors of fact. He stated that the Commission had "no jurisdiction to sit as a tribunal to grant new trials for errors of fact, particularly where those errors involve opinion as to value". A supplemental petition for a rehearing of the case was filed on November 22, 1935, by the American Agent. This supplemental petition requested that the case be re-opened for a further hearing, and was referred to the Umpire for decision by the two National Commissioners, inasmuch as the decision of the Commission on the first petition had been handed down by him on a certificate of disagreement by the two Commissioners. On January 29, 1936,<sup>61</sup> the Umpire rendered the decision of the Commission, dismissing the petition, stating among other things that "if a new cause of action is asserted, based upon an agreement between the diplomatic representatives of the two governments, I think the Commission is entirely without authority to enter a decree based thereon. It can only act upon the agreements of the national agents accredited to represent the respective nations before it". A subsequent motion for re-argument of the claim was submitted to the Umpire, who on March 20, 1936, denied the motion.

It is the opinion of the Department that this case deserves further consideration by the two Governments, notwithstanding the outcome of the matter before the Commission. Following the filing of the petition for re-hearing in 1932, no question was raised as to the value of the evidence that had been produced for the support of the claim. In the light of the compromise settlement for \$160,000.00 agreed upon by the two Agents and approved by the German Government, the Government of the United States had the right to assume that in

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<sup>60</sup> Mixed Claims Commission, United States and Germany, *Decisions and Opinions from January 1, 1933 to October 30, 1939*, p. 1075.

<sup>61</sup> *Ibid.*, p. 1082.

refusing to go on with the agreed settlement on the basis of newly discovered evidence, that evidence would be made available to this Government for examination and consideration. As a matter of fact, however, the first notice the Department had of evidence said to cast suspicion on the claimant's proof was contained in the note of May 7, 1934, of the German Ambassador, in which he stated :

"Concerning the claim of Mrs. Catherine McNider Drier, Docket No. 11485, I beg to inform Your Excellency that the German Government prefers to have this matter left pending before the Commission for the time being, as the German Government has recently been advised that the material submitted by Mrs. McNider Drier, on the basis of which the Commission granted her an award of \$250,000 plus interest in 1929, appears to be not beyond suspicion. An investigation has been started accordingly which will take a little time for its conclusion."

Nevertheless, when the German Agent filed his answer to complete the pleadings on July 2, 1934, no new evidence whatsoever was tendered; nor, so far as the Department is aware, has any evidence been produced which would "cast suspicion on the claimant's proof."

When the Department agreed in the exchange of notes of May 7, 1934, to the examination of the claim by the Commission, it was justified in believing that such impairing evidence, if it really existed, would be presented to the Commission, and that, instead of resting its case upon technical grounds of procedure, the German Government would meet the issue squarely by producing such evidence for examination by the Commission. The following language in the note of the Secretary of State of May 7, 1934, is in point :

"If the case is left before the Commission, it will be necessary to give the claimant time to marshal additional evidence to combat any evidence that the German Government may submit, which will mean that the completion of the work of the Commission will be indefinitely postponed. The amount involved is comparatively small.

"It is therefore hoped that on further consideration your Government will deem it desirable to give finality to the settlement heretofore reached in the Drier case."

Inasmuch as the decisions of July 29, 1935, and January 29, 1936, were based on technical grounds and apparently on an erroneous impression by the Umpire that the agreed settlement for \$160,000 had been arrived at by the diplomatic representatives of the two Governments, rather than by the two Agents, and since no proof was offered to impair the integrity and sufficiency of the evidence that was produced for the support of this claim, the Department feels that the German Government should now agree to make effective the compromise settlement reached by the two agents and subsequently approved by the German Government.

You are therefore requested to take this matter up with the Foreign Office and endeavor to persuade it to agree to the entering of an award in this case on the basis of the agreement just referred to.

Please keep the Department promptly informed regarding developments.

Very truly yours,

CORDELL HULL

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462.11L5232/559 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, May 6, 1936—9 p.m.

[Received 11 p.m.]

135. My 115, April 21, 5 p.m. first paragraph.<sup>62</sup> No word was received from Goering. Stallforth then communicated with me that he would arrange for Ribbentrop<sup>63</sup> to call. As he failed to do so, I began to discount the entire idea. To my surprise Goering telephoned me personally yesterday afternoon saying he would like to see me and asked if I could come to his house this morning. I agreed to do so, assuming it was in reference to the Mixed Claims case, and had a long conversation. The Mixed Claims case was mentioned but not pursued. No reference to Stallforth although the latter knew of the telephone conversation yesterday saying it was by his arrangement. He also knew of my meeting with Goering today and said that the latter had lunched with Hitler afterwards when the meeting was discussed. My impression is that while Stallforth is undoubtedly concerned with the matter it had grown beyond the Mixed Claims aspect into the more comprehensive ideas summarized below:

Minister-President Goering began by saying that he was speaking entirely unofficially and referred to his new duties in regard to "economic matters" (see our telegram No. 120, April 28, 1 p. m.<sup>64</sup> and pursuant cablegrams and despatch); he said that these new important duties led him at once to think of American-German relations which frankly he was sorry to say were not as they once were and should be. He had been told that this was due to many reasons. He wanted very much that all these differences should be liquidated. Being a frank sort of person he felt that the first thing to determine was this: did the United States wish to improve its relations with Germany and try

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<sup>62</sup> Telegram not printed; it reported that Frederico Stallforth (a representative of a group of claimants against Germany) had told the American Chargé that Hitler had turned the matter of sabotage claims over to Goering (Minister President of Prussia) and that the German Foreign Office was not involved (462.11L5232/558).

<sup>63</sup> Joachim von Ribbentrop, Special Ambassador at Large for Adolf Hitler.

<sup>64</sup> Not printed; it reported that Goering had been entrusted with the investigation and decreeing of all necessary measures concerning raw materials and foreign exchange (862.5151/1673).

and find out if there were not ways and means of increasing the trade between the two countries and rendering their relationship more satisfactory? If the answer were in the negative then that was that and there was no use bothering further about it. If, however, the answer was in the affirmative he hoped the United States would designate some one who could unofficially and without committing the Government thresh out the whole situation with a similar representative of his—he himself taking part as the occasion would warrant.

The Minister-President then said he wanted to take advantage of this personal conversation to ask if I would tell him quite frankly what I felt were the real difficulties between the two countries. I replied entirely unofficially and in the same candid manner in which he had spoken that I felt there were two general reasons as far as I was aware. The first was what might be termed psychological and the second practical. The psychological reason principally was the treatment of the Jews in Germany.<sup>65</sup> I spoke to him plainly and at some length on this subject explaining that while this was a matter entirely within the province of Germany to decide it had created an extremely bad impression in America and its influence on German-American relations had been and was tremendous. Secondly, regarding the practical reason there was much dissatisfaction in the United States with the way debt questions, both public and private, had been handled by Germany and the discrimination against us with respect to trade.<sup>66</sup> I took Goering at his word and was very frank. I must say that he received my statements in good part and showed no resentment, but quite the opposite.

Regarding the psychological question he made the classic defense but without any particular fervor. Regarding the practical reason he said that was exactly what he wanted to grapple with and about which he had initiated our conversation in the sense of the suggestion he had made to come to grips with this business and settle it to the mutual advantage of our two countries if we were interested in the improvement of American-German relations.

The conversation ended by Goering expressing the hope that I would communicate his ideas to the appropriate quarter, and come directly to him, personally, on receiving a reply, that he was available for further conversation at any time.

I have had a feeling for some time that the German Government has become increasingly desirous of getting back to a better status with us. They have gone out of their way, it seemed to me, to be helpful at the Foreign Office and only this morning when I discussed the Spiegelberg case in compliance with the Department's instruction 581

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<sup>65</sup> For correspondence regarding the persecution of Jews, see pp. 192 ff.

<sup>66</sup> See pp. 210 ff.

of April 13, 1936,<sup>67</sup> Davidsen<sup>68</sup> was surprisingly receptive. Furthermore, I have the impression that the clearing agreement method of trade is beginning to exhaust its possibilities and more normal ideas are gaining ground in line with your point of view as developed in your trade agreements. Just as Hitler appeared to wish, among other things, to escape from political isolation in his proposals on March 7<sup>69</sup> there are these signs that he and his advisers may wish to break up the economic and financial jam as far as Germany is concerned. Goering certainly gave me the impression of great seriousness in the matter under discussion and that he intended to use the outstanding powers given him in a broad and constructive fashion.

MAYER

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462.11L5232/562 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, May 8, 1936—4 p.m.

46. Your 135, May 6, 9 p.m., and Department's 45, May 7, 5 p.m.<sup>70</sup> With regard to Goering's reference to the sabotage claims, you may state informally that you presume he knows that the final argument in those cases is scheduled to begin May 12, and that if it is his purpose to have them settled other than through the Commission, prompt action will be required, and that he may not desire to tie up this subject too closely with the other broad subjects envisaged in your conversation of May 6th which will require time for consideration.

Hearings on sabotage cases might be adjourned at German Agent's request if Goering assures you that he intends in principle to settle these claims. If favorable opportunity is offered, you may repeat substance last sentence Department's 24, March 14, 3 p.m. regarding negotiations.

HULL

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462.11L5232/563 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, May 9, 1936—2 p.m.  
[Received May 9—9:45 a.m.]

139. Department's 46, May 8, 4 p.m. I have just talked with Goering. He does not desire to tie up the subject of the sabotage claims

<sup>67</sup> *Post*, p. 286.

<sup>68</sup> Hermann Davidsen, Director of Commercial Policy Section No. 9 of the German Foreign Office.

<sup>69</sup> For correspondence regarding the Hitler speech of March 7 and reoccupation of the Rhineland, see vol. I, pp. 180 ff.

<sup>70</sup> Latter not printed.



too closely with the other broader subjects envisaged in our conversation of May 6, and stated that he intends in principle to settle these claims. He is instructing the German Agent to request that hearings on the sabotage cases be adjourned. Goering hopes that the American Agent will be helpful in this regard. He said that he would let me know later with regard to a German representative and the time and place for meeting with an American representative with respect to settlement negotiations.

Falling in immediately with the ideas contained in the Department's telegram under reference Goering said that he considered an adjournment as mentioned above to be wise in order that the atmosphere might not be colored by a hearing on the sabotage claims at a time when he hoped the American Government would give the greatest consideration to the ideas expressed in our conversation of May 6.

MAYER

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462.11L5232/568 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, May 11, 1936—7 p.m.

49. Your 139, May 9, 2 p.m., regarding sabotage claims. Department is informed that German Agent does not have instructions authorizing him to take initiative in requesting adjournment, but does have instructions authorizing him not to object to such adjournment.

This does not appear to be in accord with information contained in your cable to the effect that Goering is instructing German Agent to request that the hearings be adjourned and had expressed the hope that American Agent would be helpful in that regard.

Under these circumstances, unless German Agent does take the initiative, it is presumed that the arguments will proceed as scheduled on May 12.

HULL

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462.11L5232/569 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, May 12, 1936—5 p.m.  
[Received May 12—3:55 p.m.]

143. Department's 49, May 11, 7 p.m. Dieckhoff<sup>71</sup> asked me to see him late yesterday afternoon and spoke to me at some length about the Claims Commission cases. Goering had telephoned him Saturday

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<sup>71</sup> H. H. Dieckhoff of the German Foreign Office.

after our conversation and I understand asked him to instruct the German Agent as Goering had told me he would do. Instead the Foreign Office apparently questioned the German Agent about the matter, taking the attitude that it had an excellent case; that there is nothing for Germany to worry about in a hearing; and that Germany has no grounds on which to ask for an adjournment. I gained the clear impression that the Foreign Office is suspicious of some of the claimants and those connected therewith, both Germans and foreigners. In short it was quite evident that the Foreign Office was opposed to the recent development in the Claims Commission matter.

Dieckhoff said that Goering had left town immediately after telephoning him Saturday and that he would not be back until this morning. Quite evidently this was developing into a "family row" in which it seemed best for us to remain on the side lines until the various authorities could come to a common decision. I had given Dieckhoff an account of our position in the matter so the Foreign Office knew exactly where we stood. When, at the end of our talk, Dieckhoff asked me not to record our conversation until he had had a chance to see Goering this morning and try to arrange matters satisfactorily for all, I assented wishing to cooperate with the Foreign Office in so far as it did not appear to damage our interests.

Peaslee<sup>72</sup> has telephoned that the Foreign Office got in touch with Goering last night; that Hitler was brought into the picture; that he and Goering were determined to maintain the position the latter had taken with me on Saturday;<sup>73</sup> and that Peaslee had been accordingly one of the henchmen so to inform his people in New York.

Meanwhile your telegram 49 has arrived. After careful consideration it seems to me undesirable to take up the matter again with Goering since he was quite clear and categorical in his statements on Saturday reported to you in my 139, May 9, 2 p.m. I took the precaution to bring with me the pertinent parts of your cable No. 24, March 14, 4 [3] p.m., and your 46, May 8, 4 p.m., carefully translated and typed out on a plain piece of paper. This Goering read over by himself after I had stated it to him and I left the paper with him as a memorandum. There can be no mistake as to his correct understanding of the matter nor of his statements to me in this regard. If he wishes to carry out the agreement he will do so. If he has any questions to ask he can get in touch with me. If for any reason he decides not to carry out the agreement I am confident that you would not think it dignified or useful for me to try to persuade him to the contrary. In any event we will know where Goering stands which

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<sup>72</sup> Amos Peaslee of New York, attorney for the group of American sabotage claimants.

<sup>73</sup> See telegram No. 139, May 9, 2 p. m., from the Chargé in Germany, p. 262.

will be informative for the larger questions discussed in our conversation of May 6. As to the Foreign Office I felt that you would not wish me to exert any pressure on account of the local complication.

MAYER

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462.11L5232/571 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, May 13, 1936—7 p.m.

51. Your 143, May 12, 5 p.m. Department approves your action and considers that no further action by you is called for. Commission is now hearing arguments.

HULL

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462.11L5232/574 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, May 14, 1936—7 p.m.

52. Your 146 May 14, 11 a.m., and 148, May 14, 7 p.m.<sup>74</sup> Department did not intend by its 51 of May 13, 7 p.m. that you should refuse to receive any suggestions from an authorized official of German Government but rather that it was not necessary for you to initiate further discussions. As the Department's previous cables indicate, this Government was led to believe that the German Government desired to effect a compromise settlement. This Government has at all times been ready to cooperate in that regard. It was deemed undesirable in view of the pendency of arguments in the sabotage cases to try to tie up with the broad general subjects covered in your conversation with Goering on May 6th the discussion with respect to these cases.

You were, therefore, instructed to say that if Goering gave you assurance of the desire of the German Government to have the claims settled other than through the Commission and the German Agent were instructed to ask for postponement by the Commission, the American Agent would cooperate. Goering stated that such instructions would be given but those actually received by the German Agent were to the effect that if the American Agent took the initiative the German Agent would not object to an adjournment. So far as the Department is informed this matter has not been adjusted and the hearings are proceeding. However, if Goering or anyone authorized to represent the German Government desires to discuss the matter with you, you should say that this Government is entirely agreeable

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<sup>74</sup> Neither printed.

to a settlement provided proper arrangements therefor can be made and, as previously stated, is ready to have a representative meet with a representative of the German Government at any time and place that may be suggested by the latter for this purpose.

You should make it clear at all times that the Department cannot take the initiative in this matter but is ready to cooperate in good faith.

HULL

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462.11D831/191 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, May 19, 1936—6 p.m.  
[Received May 19—5:15 p.m.]

153. Department's 50, May 11, 8 p. m.<sup>76</sup> Reply in Drier case, dated May 16, received from the Foreign Office today. The essence is that the German Government regards the claims as "definitely settled by the decisions arrived at by the German-American Mixed Claims Commission. Therefore, it is not in a position to comply with the suggestion of the American Government to approve Mrs. Drier being awarded an additional sum by the Commission."

Complete reply is being sent by pouch.<sup>76</sup> This includes copy of sworn statements allegedly showing reasons why the evidence submitted to the Commission by Mrs. Drier was designated by the German Government "as not incontestable".

MAYER

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462.11L5232/582 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, May 21, 1936—1 p.m.  
[Received May 21—10:35 a.m.]

154. Department's 54, May 16, 2 p. m.<sup>76</sup> Hauptmann von Pfeffer called yesterday evening. Mr. Peaslee was present. Von Pfeffer showed me a letter signed by Goering as follows:

"Berlin, w 9 Leipziger Platz 11 a, May 20, 1936. The Prussian Minister President. I have commissioned Herr von Pfeffer to treat the questions which have originated in the course of discussions with Counselor of Embassy Mr. Mayer. Goering."

Von Pfeffer was apparently fully informed of my two conversations with Goering and asked me concerning our Government's attitude

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<sup>76</sup> Not printed.

regarding the Claims Commission matter. I replied as per the Department's 52, May 14, 7 p. m. Von Pfeffer then reiterated in some detail the statement made to me by Goering on May 6 reported to you in my 135, May 6, 9 p. m. Von Pfeffer then said that Goering wished to make clear to us his position and that of the German Government in regard to the Claims Commission matter. They wanted to deal with us in a very big fashion with regard to matters discussed on May 6 and would not let trifles stand in the way. As far as they were concerned it would be easier to let the hearing continue and to have the Claims Commission cases settled if and when representatives were appointed to discuss the entire ensemble of difficulties in conformity with Goering's proposals of May 6 since there was no reason from the German point of view why the hearing should be adjourned. However, Goering and the German Government were anxious to have the consideration of the larger problems concerned and their satisfactory arrangements take place in the best atmosphere possible. Therefore, if the American Government felt that it would be "useful" to this end to have the Claims Commission questions adjourned the German Government would be quite willing to do so.

I told Von Pfeffer that I was not authorized in any way to link up the settlement of the Claims Commission cases with the general ideas conveyed to me by Goering on May 6; that I had telegraphed these to my Government and had been told that they were under consideration; that all I could say at the moment was that my Government was favorable to a settlement of the Claims Commission cases, et cetera, et cetera. I said I would report our conversation to the Government.

It appeared to Flack<sup>77</sup> and me that the German authorities are not interested in taking any action with regard to postponing the hearing of Claims Commission cases for their own sake but are quite prepared to do so as a friendly gesture to the United States, having in mind the larger problems concerned, such as the Johnson Act,<sup>78</sup> the Harrison Act,<sup>79</sup> various loans, et cetera, if the American Government so desires.

We were rather favorably impressed by Von Pfeffer. We felt that he had the authority and that Goering and Hitler, whose name was frequently mentioned, are greatly interested in coming to better relations with the United States for commercial as well as for psychological reasons. My guess is that the Foreign Office has tied up Goering in such manner that he cannot or will not act in the Claims Commission case unless he can show some *quid pro quo*. At the beginning of our conversation Von Pfeffer spoke of "conditioning" his Government's adjournment of the Claims Commission cases hearing and

<sup>77</sup> Joseph Flack, First Secretary of Embassy in Germany.

<sup>78</sup> 48 Stat. 574; see *Foreign Relations*, 1934, vol. I, pp. 525 ff.

<sup>79</sup> 48 Stat. 1267.

taking them up independently of the other matters to be settled upon our going forward with the larger matters. He finally dropped this attitude and based the question entirely on whether we would say that we considered an adjournment "useful". While all this confirms paragraph 4 of my telegram 144, of May 13,<sup>81</sup> the solitude [*sic*] between the Claims Commission cases and the larger questions was considerably attenuated at the end of our conversation.

Pfeffer requested that this matter be handled only with Goering's office in order to avoid internal governmental difficulties.

Instructions requested.

MAYER

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462.11L5232/583 : Telegram

*The Acting Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, May 22, 1936—1 p. m.

59. You are directed to advise Pfeffer that your Government appreciates and reciprocates desire for clarification relations between two Governments. If the German Government desires to effect an amicable adjustment of the sabotage claims, this Government would be entirely agreeable to such a settlement. You should make it clear, however, that your Government cannot condition settlement of the sabotage cases on solution larger problems suggested which involve complicated questions and possibly extended discussions. If under these circumstances German authorities desire to effect a settlement of sabotage claims, Department is prepared as previously stated to send representative immediately to deal with them. Other broad problems would have to be treated independently.

PHILLIPS

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462.11L5232/585 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, May 28, 1936—8 p. m.  
[Received May 28—4:45 p. m.]

162. My 157, May 25, 1 p. m.<sup>81</sup> Von Pfeffer has just called and left with me the following statement:

"1. The German Government understands with satisfaction from the previous discussions in which Minister President Goering took the initiative that both Governments agree in the desire to bring their relations to a greater clarification. The German Government believes that the attempt should now begin to translate these desires into fact.

<sup>81</sup> Not printed.

2. The German Government is agreeable that first of all the attempt will be made amicably to dispose of the old sabotage claims and that this attempt is not dependent upon any conditions.

3. The German Government assumes that at an early date also the broader problems will be taken up.

4. The German Government expresses thanks for the proposal to send an appropriate representative and asks the undertaking of this mission in the mutually discussed sense and Minister President Goering would be glad to receive the representative in the course of June in Germany.

5. The appropriate German offices have been instructed to undertake the necessary process measures with the consent of the process representatives of the American Government for the purpose of immediate postponement of the pending process discussions before the Mixed Claims Commission."

Von Pfeffer assured me in conversation that the German Government is thoroughly conscious that we cannot condition settlement of the sabotage cases on the solution of the larger problems and that therefore there is no question of any conditioning the one upon the other. He said that the first paragraph of the statement was intended to reproduce our expressions to him (see first sentence Department's telegram No. 59, May 22).

In response to careful and repeated inquiry on my part concerning the last paragraph of the statement Pfeffer said that Goering had already asked the Foreign Office to give the necessary instructions to the German Agent in Washington to seek a postponement of the hearing. Pfeffer gave me to understand unofficially that while Goering wished this to be done and had as reported above so communicated to the Foreign Office it was possible that certain difficulties might arise (presumably through the Foreign Office) and that Goering hoped the Department would cooperate to the end that the American Agent would make it as easy as possible for the German Agent with regard to postponement. I said that I would communicate this to the Department on the clear understanding as Pfeffer agreed again that the initiative with regard to adjournment should be taken by the German Agent.

MAYER

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462.11L5232/588 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, June 4, 1936—2 p.m.

[Received June 4—10 a. m.]

169. My 162, May 29 [28], 8 p.m.; and 165, May 29, 6 p.m.<sup>82</sup> Pfeffer has just sent me the following message requesting prompt transmission to the Department.

<sup>82</sup> Latter not printed.

(Translation). "As has become known the proceedings before the Mixed Claims Commission, Washington, have just been terminated (with the result that the United States may reopen the main proceedings). The last point of the declarations of the German Government of May 28, 1936, which had to do with the postponement of the proceedings now terminated has thus been transcended and settled by the developments.

The German Government believes that hereby no change has occurred in the other points of its declaration and in the mutually discussed arrangements. Minister President Goering would be pleased to receive the American representatives in the course of the month of June in Germany.

Berlin, June 4, 1936."

MAYER

462.11L5232/590 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, June 5, 1936—7 p.m.

67. Your 169, June 4, 2 p.m. You may inform Pfeffer informally that your Government is prepared to send a representative to Germany to discuss the sabotage cases, but that it assumes it is to await an indication from the German Foreign Office that such a visit is desired, as Commission has set hearing for June 17 to determine further procedure. Meanwhile preparations are being made to act immediately upon receipt of such an indication. You should inquire whether Goering will arrange the matter with the Foreign Office or whether he desires that you should make inquiry.

HULL

462.11L5232/591 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, June 8, 1936—7 p.m.

[Received June 8—3:17 p.m.]

173. Department's 67, June 5, 7 p.m. Owing to Pfeffer's absence from Berlin have only just been to inform him as instructed. He said an indication from Foreign Office that the sending of representative is desired would be arranged by Goering himself as this is an internal German matter and would be communicated directly to the German Embassy at Washington. Pfeffer added that the sending of instructions through the Foreign Office concerning postponement of hearing set for June 17 would also be arranged by Goering.

Regarding evidence of Goering's authority to deal with the sabotage cases Pfeffer gave the following memorandum :



(Translation) [“]He expected the special authority (*vollmacht*) which the German Government issued to Prime Minister Goering on April 27, 1936, the principal but not the entire contents of which were officially announced in the entire press and on the radio embraced so far as concerns foreign exchange and raw materials and especially exports and imports the whole trade policy with the United States of America as well as the still unsettled difficulties between the two Governments.”

Pfeffer added verbally that under the order of April 27 the Ministries concerned such as Foreign Office and Ministry of Economics will continue to function within their competence but are subject to Goering's orders as a superior.

Pfeffer indicated undesirability of publicity with regard to departure of representatives.

MAYER

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462.11L5232/600 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, June 16, 1936—6 p.m.

70. Acting on the suggestions contained in your No. 185, of June 16, 7 p. m.,<sup>83</sup> the Department has this afternoon discussed the matter with a representative of the German Embassy. We are informed that the Embassy has been instructed to request a postponement of the hearing set for tomorrow, June 17, and that the Embassy has so advised the American Agent. The Embassy, however, has no information from Berlin with regard to the sending of representatives to Germany to discuss the final settlement of the sabotage cases. Inasmuch as the two matters are closely allied, we have asked the German Embassy to ascertain as quickly as possible from Berlin whether the invitation has, in fact, the approval of the Foreign Office.

HULL

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462.11L5232/602 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, June 18, 1936—6 p.m.

72. Department's 70, June 16, 6 p.m. Department was informed on June 17 by a representative of the German Embassy that he had been directed by the Ambassador to say that the German Agent for the Mixed Claims Commission had received from the German Government, through the Foreign Office, an instruction to request the post-

<sup>83</sup> Not printed.

ponement of the hearings in the sabotage cases. The Ambassador thought that this fact implied that the German Government is willing to enter into negotiations concerning the subject matter before the Commission, and he felt certain that the representatives of this Government would be welcomed by the Foreign Office and other offices of the German Government. He did not consider that explicit instructions from Berlin were required.

The Department is arranging to send representatives and will later advise you more specifically.

HULL

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462.11L5232/605

*The Secretary of State to the American Agent (Bonyngé) and Counsel (Martin), Mixed Claims Commission, United States and Germany*

WASHINGTON, June 19, 1936.

SIRS: In view of the indications received by the Department that the German Government is desirous of discussing a compromise settlement of the sabotage claims against Germany and of the desire of German officials that representatives of this Government should meet with them in Germany during the month of June, you are hereby directed to proceed to Germany at the earliest practicable date for the purpose just indicated.

You will make it clear to your German colleagues that your positions are those of Agent and Counsel, respectively, before the Mixed Claims Commission, United States and Germany, that you are not authorized by your Government or privileged to discuss any other matter pertaining to the general relations between the two countries, and that settlement of the sabotage claims cannot be conditioned upon discussion or settlement of any such matters.

You will receive an additional letter concerning your travel expenses to Germany.

Very truly yours,

CORDELL HULL

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462.11L5232/630

*The American Agent (Bonyngé) and Counsel (Martin), Mixed Claims Commission, to the Secretary of State*

[Extract]

MUNICH, July 11, 1936.

SIR: In accordance with your letter of instructions to the undersigned bearing date June 19, 1936, we proceeded to Germany on the

S. S. *Europa* arriving at Bremerhaven on June 27, 1936. We were met there by a representative of Germany who advised us that the German Government desired to have the discussions of the matters mentioned in your letter at Munich. We thereupon left Bremen on the evening of June 27, arriving in Munich on the morning of June 28.

On July 1 we formally met Hauptmann von Pfeffer who was designated by his government to discuss the matters with us. We advised Hauptmann von Pfeffer at that time that our positions were those of Agent and Counsel respectively before the Mixed Claims Commission United States and Germany and that we were not authorized or privileged to discuss any other matter pertaining to the general relations between the two countries and that settlement of the sabotage claims could not be conditioned upon discussion or settlement of any such matter.

At this conference the Agent of the United States was requested to write a letter to the Representative of Germany giving information relating to the claims pending before the Commission. This led to correspondence between the representatives of the two governments and to the receipt of a written proposal dated July 6 from Germany<sup>84</sup> for a compromise settlement of the sabotage claims and the entry of awards accordingly in favor of the United States on behalf of the American nationals involved. After conference with and approval of the proposed settlement by representatives and attorneys for the American nationals the American Agent accepted the proposed settlement on behalf of the United States by a letter bearing date July 6, 1936.<sup>85</sup>

The proposed settlement was ratified at a meeting of the Representatives of both Governments on July 10, 1936, and minutes of the meeting were prepared and duly signed by representatives of each government. The proposal included an offer to settle the Drier Claim on the basis of the unconsummated settlement between the two agents arrived at in February 1933, which settlement has heretofore been recognized by the two governments and the acceptance included this offer.

It was understood and agreed that no publicity was to be given to the settlement until both governments agreed upon the date for a release of the terms of the agreement.

All of which is respectfully submitted.

ROBERT W. BONYNGE  
H. H. MARTIN

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<sup>84</sup> Enclosure 2, *infra*.

<sup>85</sup> Enclosure 3, *infra*.

[Enclosure 1]

*The American Agent, Mixed Claims Commission (Bonyng), to the Representative of the German Government (Von Pfeffer)*

MUNICH, July 1, 1936.

SIR: The American Agent before the Mixed Claims Commission United States and Germany has the honor to submit for the consideration of the German Government the following statement of the amount involved in the claims pending before the commission known as the "Sabotage Claims."

There are filed and are now pending before the Mixed Claims Commission "Sabotage Claims" on behalf of 153 American nationals against the Government of Germany in the aggregate approximate sum, including interest to July 1, 1936 at the treaty rate of 5 percent per annum of \$51,780,000.00.

As the German Government is aware there is also pending before the Commission a claim of the United States on behalf of Catherine M. Drier, an American national, for the sum of approximately \$319,000.00 as of July 1, 1936.

The "Sabotage Claims" and the "Drier Claim" constitute all the claims now pending before the Mixed Claims Commission in which awards have not been entered and with the disposition of those claims the work of the Mixed Claims Commission United States and Germany, could be terminated.

In accordance with the instructions received from my Government, I am authorized to discuss with the Representatives of the German Government, agreeably to the desire heretofore expressed by the German Government, a possible compromise settlement of the "Sabotage Claims" and my authority is thus limited.

In order to comply with the practice and procedure of the Mixed Claims Commission it is respectfully suggested that if a satisfactory compromise settlement of the "Sabotage Claims" can be reached at this conference, which I trust may be accomplished, the German Government should direct and instruct its Agent before the Mixed Claims Commission to enter into an agreed statement embodying the agreement arrived at in this conference and also authorizing and instructing him to agree to the entry of individual awards in favor of the United States on behalf of each of the 153 American nationals interested in the "Sabotage Claims", pursuant to such compromise settlement as may be agreed upon at this conference.

I have [etc.]

ROBERT W. BONYNGE

[Enclosure 2—Translation]

*The Representative of the German Government (Von Pfeffer) to the American Agent, Mixed Claims Commission (Bonyng)*

MUNICH, July 6, 1936.

SIR: I have the honor to acknowledge the receipt of your letter of July 1, 1936, regarding the status of matters before the Mixed Claims Commission United States and Germany.

As stated in the discussions already had by Ministerpresident Goering and myself with the American Embassy in Berlin, the German Government is desirous of settling the Sabotage Claims pending before the Commission. I may also point out to you that the settlement is intended to be the first step on the part of Germany for an energetic effort to improve the mutual relations between our countries; furthermore this really unpleasant and disagreeable matter shall be at last wiped out; but in no case there should be any appearance that the German Government might concede any liability with respect to the claims.

1. We assume that there are at present in the Special Deposit Account in the United States Treasury certain funds estimated to be in the neighborhood of \$20,000,000. available for payment of further awards to American nationals. With these funds the Sabotage Claimants shall be satisfied as specially described in § 2.

2. We propose that an award is to be entered to each sabotage claimant in such sum as will yield an immediate cash payment to that claimant from the Special German Deposit Account in the United States Treasury on the date of entry of the award, such immediate cash payment to be equivalent to 50 percent of the principal of the claimants claim with interest at 5 percent per annum from the date of the destruction out of which the claim arose to the date of the award. This formula is solely for the purpose of determining the amount of such immediate cash payment. It is intended that the result of this agreed formula will be to apply whatever cash is available in the United States Treasury to immediate cash payments to sabotage claimants pro rata in proportion to the principal of their respective claims. If the cash immediately available is not sufficient to cover payments in accordance with this formula, all of the sabotage claimants would suffer reductions in such payments pro rata to the principal of their claims. If after the available cash has been exhausted with these payments and any further credits may enter in the Special Deposit Account then these credits ought to be divided according to the same formula and Settlement of War Claims Act.<sup>86</sup>

<sup>86</sup> 45 Stat. 254.

This proposal shall not preclude the entry of individual awards by the Commission which shall take into account any adjustment of interests agreed to between the individual claimants as long as the total of all cash payments as herein above provided remains unchanged.

3. The mathematical computation of the amounts to be entered as awards to yield the immediate cash payments required by this formula is to be done under the supervision of the American Agent.

4. This agreed statement applies to all claims now pending before the Mixed Claims Commission, especially arising out of the fires and explosions at the Lehigh Valley Railroad Terminal at Black Tom, N. J. on July 29-30, 1916 and the Kingsland Assembling Plant at Kingsland, N. J., on January 11, 1917,<sup>87</sup> described as Docket Numbers 8103, 8117, *et al.* and list numbers 11,333, 4830, *et al.*

In order to simplify matters, the Drier Claim should be settled too, if it can be done under your present powers. We propose a basis of \$160,000.—plus interest from January 1, 1920, as previously discussed. This amount should be paid beforehand out of the Special Deposit Account.

5. The understanding of the German Government is that this settlement of these claims will dispose of all claims now pending before the Mixed Claims Commission, so that these unpleasant matters can be finally concluded.

I am [etc.]

V. PFEFFER

[Enclosure 3]

*The American Agent, Mixed Claims Commission (Bonyng), to the Representative of the German Government (Von Pfeffer)*

MUNICH, July 6, 1936.

SIR: I have the honor to acknowledge receipt of your letter of July 6, 1936 and beg to advise you that the proposal as contained therein for the settlement of the Sabotage Claims and the Drier Claim pending before the Mixed Claims Commission is hereby accepted on behalf of my Government.

The proposal having been made and accepted, I beg respectfully to suggest that the German Government take the necessary steps to effectuate the settlement and the entry of awards by the Mixed Claims Commission in accordance with the rules of the Commission.

I have [etc.]

ROBERT W. BONYNGE

<sup>87</sup> See *Foreign Relations*, 1933, vol. II, pp. 492 ff.

462.11L5232/766 : Telegram

*The Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, October 22, 1936—5 p.m.

134. Your 307, October 20, 4 p.m.<sup>88</sup> No individual has been authorized to make any statements of any character to the German Government in behalf of this Government regarding the sabotage claims or the Munich agreement in respect thereto. Any intimation that this Government has endeavored or is endeavoring to block a settlement of these claims is false. This Government has at no time expressed any opinion as to the official status of the German representative who signed the agreement or as to the obligatory effect of the agreement on the German Government. It is hardly to be supposed that any weight should be given to statements by a private individual representing private interests as to the attitude of this Government when its attitude could be ascertained through official channels overnight.

You have full authority to bring the foregoing to the attention of the German Government since we are anxious that our attitude should not be misunderstood.

We have no communication from the German Government. If and when it is prepared to go forward with the Munich agreement, the action to be taken thereon will be completely and exclusively within the jurisdiction and for the decision of the Mixed Claims Commission. For these reasons the Department has scrupulously refrained from commenting upon the agreement. Our attitude with respect to early settlement of the sabotage claims remains unchanged. We assume that you can readily ascertain from the German Government its attitude with respect to submission of the agreement to the Commission.

HULL

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462.11L5232/767 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, October 28, 1936—5 p.m.

[Received October 28—3 p.m.]

317. Department's 134, October 22, 5 p.m. The contents of the first paragraph were given to von Pfeffer on October 23rd and he expressed satisfaction with the reassurances contained therein. Yesterday he requested Lee<sup>89</sup> to call on him at which time he presented to him a

<sup>88</sup> Not printed.

<sup>89</sup> Frank C. Lee, First Secretary of Embassy in Germany.

three point memorandum the first point of which is quoted in translation as follows:

"(1) The remaining difficulties in connection with the Munich agreement of July 1936 which had to be cleared upon the German side have now been settled. In order to avoid unnecessary inquiries and delays with regard to formulations and similar matters connected with the carrying out of the agreement by the Mixed Claims Commission, the German Government is detailing President Doctor Markau who prepared and signed the Munich agreement to Washington.

The German Government has the honor to announce herewith that President Doctor Markau is sailing on October 30 S. S. *Europa* since it is understood from cable from the American representative Mr. Bonyngé that on the American Government's side everything is ready for execution."

The above answers the query contained in the last paragraph of the telegram under reference.

The balance of the memorandum deals with other matters pertaining to general relations between the two countries and copies thereof together with certain other details will be transmitted by despatch going forward on October 30th.

DODD

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462.11L5232/775

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

Conversation between the Acting Secretary<sup>90</sup> and Dr. Markau; also present at the conversation were Mr. Hackworth<sup>91</sup> and Mr. Dunn.

[WASHINGTON,] November 9, 1936.

After greeting Dr. Markau the Acting Secretary stated that he had read a translation of the letter from Herr von Pfeffer to the Secretary<sup>92</sup> which Dr. Markau had left at the Department on Saturday, November 7. Judge Moore stated that Herr von Pfeffer's letter apparently brought up a number of points in the field of relations between the United States and Germany and apparently indicated that the German Government was desirous of discussing some of these points along lines of a certain plan and suggestions with a view to a solution of some of the matters now pending between the two countries. Judge Moore then asked Dr. Markau for information as to Pfeffer's position in the German Government. Dr. Markau stated that Pfeffer was the assistant to Hess who is Deputy Leader of the National Socialist Party in Germany. He stated that there was a

<sup>90</sup> R. Walton Moore, designated to act as Secretary of State during the absence of Mr. Hull.

<sup>91</sup> Green H. Hackworth, Legal Adviser.

<sup>92</sup> Not printed.



feeling on the part of the leaders of the Party in Germany, that is Hitler, General Goering and others high up in the Party, including Hess, that the new spirit of Germany to be successfully expressed must find means to clear away many of the obstacles in their relationships with other countries which were heritages from before the war or the war itself; that it had not been possible to change in such a short time the entire personnel of the Government in Germany and for that reason the Party leaders were attempting by direct and informal conversations with certain foreign countries to clear away some of the obstacles in German foreign relations in a manner that would probably take much more time if pursued through the regular channels. He said that this group of German Party leaders were particularly anxious to smooth away some of the existing difficulties in German-American relations and to establish the relations between the two countries on the basis of the new spirit of Germany which was quite different from what he called the old spirit of Germany.

The Acting Secretary said that this Government was willing and ready at all times to discuss any matters pending between the two Governments and suggested that if it were so desired by the German Government that notification be made to us through the German Embassy and that when so received we would be disposed to give careful and considerate attention to any matters the German Government might care to lay before us. He said that he hoped the German Government would realize that even with the best disposition in the world this Government was through its constitutional procedure subject to certain limitations in matters which came under the jurisdiction of Congress or were regulated by our existing laws, that in any event we would be very willing to go carefully into any matters or suggestions the German Government might wish to bring up. The Acting Secretary further suggested that it would be well, in the event of the German Government initiating a discussion of this kind, for them to forward a communication in writing through the established channels setting forth the points which they desired to discuss and any plan or suggestions they might have to make regarding them.

Dr. Markau said that he would be very happy to convey to the German Government this expression of the Acting Secretary and asked whether he might propose that the channel of communication to be selected be left to the judgment of the Reich's Chancellor as it was just conceivable that he might have some particular form of negotiation which he would like to have adopted. He said he might wish to appoint someone especially empowered to discuss matters with our Embassy in Berlin, or that he might even want to appoint a delegation to come here to Washington for that purpose. The Acting Secretary stated that the form in which the discussions were carried

on was immaterial but that we would, of course, expect to be notified as to the subjects to be included in the discussions and the channels through which they would be carried on, such notification either to be made to our Embassy in Berlin by the Foreign Office or through the German Embassy here to the Department.

Dr. Markau said that he understood thoroughly the Acting Secretary's wishes in this regard and would so convey them to his Government.

The Acting Secretary then took up the matter of the Munich Agreement with regard to the sabotage claims and asked Dr. Markau whether he had anything to say with regard to that agreement particularly as to whether it had been accepted by the German Government as the Department had never had any official notification to that effect. Dr. Markau said that the Munich Agreement had been accepted by the German authorities on the condition that certain verbal changes be made in the form of the agreement. He said that there had been some internal difficulties with regard to the acceptance of this agreement but that these had been entirely smoothed out now provided the suggested changes in the document would be acceptable. The Acting Secretary thereupon informed Dr. Markau that if the agreement were acceptable to the German Government it would be then a matter to be laid before the Mixed Claims Commission which was a quasi-judicial body and had jurisdiction in the premises. Mr. Hackworth then suggested that if the agreement were acceptable to the German Government all they had to do was to notify their agent on the Claims Commission and give him instructions on the subject and have the matter thus brought before the Claims Commission for consideration and decision. Dr. Markau stated that his reason for being here at the moment was to work out the changes in the form of the document of agreement with Mr. Paulig, the German Agent on the Claims Commission, and Mr. Bonyngge, the American Agent, which had to be done before the German Government could give its official approval to the arrangement. He said that his talks appeared to be progressing favorably and he had no doubt that within a short time he would be able to telegraph a formal form of the document which would be acceptable to the German Government and that Mr. Paulig would thereupon receive explicit instructions on the subject.

The Acting Secretary stated that he supposed that Dr. Markau realized that there were other interests concerned in the matters before the Claims Commission than the interests involved in this settlement and that the final consideration of all of these matters was, of course, within the province and responsibility of the Claims Commission.

The Acting Secretary in his separation of the discussion of the Pfeffer letter, which suggests consideration of the larger phases of rela-

tions between the United States and Germany, and his specific statement that the Munich settlement was a matter within the province and responsibility of the Claims Commission clearly indicated that the two matters were not in any way connected nor could they be interdependent. Dr. Markau appeared to understand that the two matters stood on entirely different grounds and expressed himself as entirely understanding and appreciating this Government's position with regard to both of them.

J[AMES] C. D[UNN]

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462.11L5232/779½

*Memorandum by the Legal Adviser (Hackworth)*

[WASHINGTON,] November 19, 1936.

Dr. Markau called this morning by appointment. Mr. Flack of the Division of Western European Affairs was present during the conversation. Dr. Markau had a telegram which he had just received from General Goering which he undertook to translate for us in part and according to his version of the telegram it was to the effect that General Goering had arranged with the Minister for Foreign Affairs<sup>\*\*</sup> to send instructions to the Embassy in Washington to proceed with the settlement of the sabotage claims. He opened the conversation by referring to an earlier conversation with Mr. Moore in which he spoke of under-currents and conflicts between various branches of his Government. These, he said, had been clearly demonstrated in connection with the Munich discussions. He indicated that they had been cleared away and that everything is now in order and that the stipulations which he and Mr. Bonyne had agreed upon would be put into effect.

Dr. Markau allowed Mr. Flack to read part of the telegram and Mr. Flack gained the impression that General Goering had said something to the effect that he was expecting to carry out the arrangement without letting it founder on the rocks. Mr. Flack was not permitted to see the whole telegram but his understanding of the part he read was not quite so positive as the expressions by Dr. Markau.

Dr. Markau stated that he was merely calling to let us know that things had been arranged and that the Embassy had received or soon would receive the necessary instructions. He hurried away to keep an appointment with the German Ambassador on the same matter but remarked to Mr. Flack just before leaving the building that he hoped Mr. Hackworth would understand that the German Embassy here was not intentionally being obstructive but that it could only act on instructions from the German Foreign Office.

G[REEN] H. H[ACKWORTH]

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<sup>\*\*</sup> Konstantin von Neurath.

462.11L5232/780½

*Memorandum by the Legal Adviser (Hackworth)*

[WASHINGTON,] November 23, 1936.

Dr. Hans Thomsen, Counselor of the German Embassy, called this morning by appointment and said that he was instructed by the Ambassador to say that Dr. Markau is in nowise authorized by the German Government to discuss with officials of this Government any matter pertaining to the relations between the two Governments. He asked that I bring this to the attention of the Acting Secretary and others in the Department with whom Dr. Markau had had conversations, mentioning in particular Mr. Schoenfeld.<sup>94</sup> I told him that Dr. Markau had called at the Department several times and on each occasion we had said that we could not undertake to enter into a discussion of matters between the two Governments unless they were presented through official channels, that is to say, through the American Embassy in Berlin or the German Embassy here. He said that the Embassy understood that to be our position and he merely wanted to make it clear that Dr. Markau was not authorized to speak on any of these subjects and particularly on matters involving large amounts of money. I observed that on the occasion of his last call Dr. Markau indicated that the sabotage claims would soon be settled, to which Dr. Thomsen replied that Dr. Markau was not authorized to speak even on this subject.

I told Dr. Thomsen that I would make a memorandum of our conversation and bring it to the attention of the Acting Secretary and the Division of Western European Affairs.

G[REEN] H. H[ACKWORTH]

462.11L5232/796½

*The American Agent, Mixed Claims Commission (Bonyngé), to the Secretary of State*

[WASHINGTON,] December 14, 1936.

SIR: There is transmitted herewith a letter dated December 1, 1936, at Berlin, Germany, in the German language, received at the Office of the Mixed Claims Commission on December 11, 1936, from Hauptmann von Pfeffer, the Representative of Germany, in the negotiations for a settlement of the sabotage claims before the Mixed Claims Commission United States and Germany, together with an English translation thereof, and also an envelope containing, as I am advised, a letter from Hauptmann von Pfeffer to the Secretary of State,<sup>95</sup> which

<sup>94</sup> Rudolf E. Schoenfeld of the Division of Western European Affairs.

<sup>95</sup> Neither printed.

I am requested to deliver to you. When Hauptmann von Pfeffer's letter in German to me has served its purpose, kindly return same to me for the files of the American Agency.

It appears from Hauptmann von Pfeffer's letter to me that the German Government now seeks to attach subsequent conditions to the Munich Agreement which were not discussed and upon which the agreement was in no way based. Such subsequent conditions form no part of the agreement.

In the letter of Hauptmann von Pfeffer to me he states that the settlement of the sabotage cases was "to be the first step on the part of Germany for an energetic effort to improve the mutual relations between our countries (Munich protocol of July 6, 1936, page 1, Article II.)". If by this statement Hauptmann von Pfeffer seeks to create the impression that there was an understanding or agreement to that effect between the Representative of Germany and the Agent of the United States and his counsel, it is definitely negated by the English translation approved by him, of his letter to me dated July 6, 1936, to which he refers. I call your attention to the fact (referring to the settlement of the sabotage cases) that Hauptmann von Pfeffer points out that the settlement of those cases was intended to be the first step on "the part of Germany" in an effort to improve the relations between the two countries. With that I was not concerned. I certainly could not object to Germany making any efforts it desired to accomplish the result mentioned. That was a matter that rested entirely with Germany. What other efforts, if any, Germany intended to take was at no time mentioned or discussed between us.

It was distinctly understood by the Representative of Germany as disclosed by his letter to me, dated December 1, 1936, that the settlement of the sabotage claims must be unconditional and not based upon the consideration of any other matter pending between the two governments.

As you are aware, it was the government of Germany that requested representatives of the United States to proceed to Germany for a discussion of the settlement of the sabotage claims, and it was only after you became satisfied that the invitation was an official invitation from Germany and that Hauptmann von Pfeffer was authorized to act for his government in the matter, that you authorized me and my counsel to proceed to Germany for the purpose indicated. I also understand that before I left it was made perfectly clear to the German Government through diplomatic channels, that any settlement of the sabotage claims must be unconditional and not based upon the consideration or discussion of any other matter.

At the first conference I had with the Representative of Germany, I advised him that my position and that of my counsel was as agent

and counsel of the United States before the Mixed Claims Commission United States and Germany, and that we were not authorized or privileged to discuss any other matter with him or any representative of Germany.

At the meeting of July 10, 1936, when the settlement was formally ratified and confirmed and a record thereof duly made, I read to the Representative of Germany the letter of instructions to me and my counsel contained in the letter of the Secretary of State to me dated June 19, 1936. The Minutes of that meeting record the fact that I read that letter at that time to the Representative of Germany. I did so in order that there might not be any possibility for a claim to be made at any time by anyone that the settlement of the sabotage claims was not an unconditional settlement of those claims and not related to or dependent upon the discussion or settlement of any other matter pending between the two governments.

The agreement entered into was a solemn agreement on the part of the German Government by its duly authorized Representative, and I respectfully submit that Germany cannot evade it by endeavoring to attach subsequent conditions to it.

In accordance with the practice heretofore prevailing the Representative of Germany was asked to have the German Agent before the Mixed Claims Commission authorized and directed to execute the necessary documents in conformity to the prevailing practice regarding the entry of compromise settlements. The agreement, however, was not conditioned upon the issuance of such instructions.

In my opinion, after a careful and painstaking consideration and study of the terms of the agreement, particularly paragraphs 2, 3 and 4 of the protocol of July 6, 1936, the Commission is authorized to enter awards in accordance with its terms and provisions. The Agreement specifically provides for the entry of awards by the Commission.

A legal question is thus presented involving the power and jurisdiction of the Commission to enter awards in these cases in accordance with the terms of the agreement and without further action on the part of Germany. This question, in my opinion, should, pursuant to the policy heretofore adopted, be presented to the Commission for its consideration and determination.

It is accordingly my purpose to submit, prior to the meeting of the Commission to be held on January 6, 1937, a motion based upon my report of December 8, 1936,<sup>96</sup> presenting this question to the Commission for its determination which procedure I trust will meet with your approval and result in a speedy disposition of these cases.

Yours very truly,

ROBERT W. BONYNGE

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<sup>96</sup> Not printed.

REPRESENTATIONS IN BEHALF OF AN AMERICAN CITIZEN DEPRIVED  
OF RIGHT TO CONTINUE BUSINESS IN GERMANY BECAUSE OF ANTI-  
JEWISH REGULATIONS

362.1154 Spiegelberg, Betty G./1

*The Consul General at Munich (Hathaway) to the Secretary of State*

No. 773

MUNICH, February 13, 1936.

[Received March 3.]

SIR: I have the honor to report that Mrs. Betty G. Spiegelberg, an American citizen holding passport No. 999, issued March 21, 1934 by this office, has brought to my attention correspondence she has had with the Reichsverband der Deutschen Korrespondenz-und Nachrichtenbueros E. V. Berlin (Reich's Association of German Correspondence and News Bureaus) and has requested intervention with the authorities to protect her right to continue the business she has been carrying on, that of literary agent, obtaining on commission or by purchase articles from authors outside Germany and marketing these to suitable German publications. There is enclosed<sup>97</sup> copy of a memorandum made by Counsellor of Justice Dr. Adolf Veit in behalf of Mrs. Spiegelberg, setting forth the facts of the case and the argument as he would make it under the Treaty between the United States and Germany,<sup>98</sup> letter dated January 18, 1936 addressed to "Die goldene Feder", the name under which Mrs. Spiegelberg carried on her business, by the Reichsverband in question; copy of Mrs. Spiegelberg's reply of January 20, and a further letter from the Reichsverband dated January 23.

This last letter sums up the matter it seems to me very fairly and clearly from the point of view of the German authorities, and it is desired to direct the particular attention of the Department to this letter which is a formal statement from an official body acting under the laws of and by the authority of the German Government. The issue would appear to be whether an American citizen of Jewish extraction can under our commercial Treaty claim the same rights in Germany as any other American citizen notwithstanding that German regulations exclude persons of Jewish origin, without regard to citizenship, from certain activities in Germany. Dr. Veit argues so ably for the equal right of all American citizens under the Treaty with Germany that it has seemed best to include his memorandum, though in the time at my disposal it is not possible to provide a translation of it. Translations of the three letters in question, however, are enclosed herewith.

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<sup>97</sup> Enclosures not printed.

<sup>98</sup> Treaty of friendship, commerce and consular rights between the United States and Germany, signed December 8, 1923, *Foreign Relations*, 1923, vol. II, p. 29.

Mrs. Spiegelberg's husband, Mr. Washington S. Spiegelberg, an American citizen born in New York City February 22, 1866, was a clerk in this Consulate General from August 20, 1914 down to the closing of the office in 1917, and is a highly reputable person. He and his wife are as deserving of consideration in this matter as any one presumably can be. It is understood that there is no complaint whatever against Mrs. Spiegelberg other than that she is a Jewess and that accordingly under the present German laws and regulations she may not take part in any activity having to do with German periodical publications, as such activities are permitted only to persons belonging to the Reichskulturkammer (Reich's Chamber of Culture) and its suitable subordinate groups, and membership in these bodies is forbidden to Jews.

The case of Mrs. Spiegelberg was informally brought to the attention of the Embassy and the Consulate General in Berlin, but as it appears that they are not in a position to take any action, it has seemed best to submit the facts for the information of the Department in the hope that the Department will find it possible to determine what, if anything, may be done for Jewish citizens suffering from the German restrictive regulations. Mrs. Spiegelberg fortunately is not dependent for her living upon the proceeds of this business from which she is being debarred, but it is to be assumed that other cases will arise in which the forbidden business constitutes the sole source of income of an American citizen.

Respectfully yours,

CHARLES M. HATHAWAY, JR.

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362.1154 Spiegelberg, Betty G./3

*The Secretary of State to the Ambassador in Germany (Dodd)*

No. 581

WASHINGTON, April 13, 1936.

SIR: There is enclosed a copy of despatch No. 773, of February 13, 1936, received from the American Consul General at Munich, Germany, regarding the case of Mrs. Betty G. Spiegelberg, an American citizen who, it appears, has been deprived of the right to continue to act as a literary agent in Germany because of her Jewish descent.

You are requested to bring this case personally to the attention of the German Ministry for Foreign Affairs and to request that action be taken looking toward the continuance of Mrs. Spiegelberg's activities. You should impress upon the Foreign Office the very great importance which this Government attaches to the case and the concern which it would feel at any attempt to differentiate between American citizens, depending upon their race or religion, in applying the terms of Article I, Paragraph 1, of the Treaty of Friendship, Commerce and Consular Rights of December 8, 1923.



You should request the Foreign Office to take action in the manner that it deems best to bring about the satisfactory settlement of this case.

Please submit a report to the Department as to the results of your efforts in this matter.

Very truly yours,

For the Secretary of State:  
WILLIAM PHILLIPS

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362.1154 Spiegelberg, Betty G./10

*The Ambassador in Germany (Dodds) to the Secretary of State*

No. 3017

BERLIN, September 3, 1936.  
[Received September 12.]

SIR: I have the honor to refer to the Department's instruction No. 581 of April 13, 1936 (file No. 362.1154 Spiegelberg, Betty G./3), with which was transmitted a copy of despatch No. 773, of February 13, 1936, from the American Consul General at Munich, regarding the case of Mrs. Betty G. Spiegelberg, an American citizen who has been deprived of the right to continue to act as a literary agent in Germany because of her Jewish descent.

After carefully studying the facts and details in this case, which had previously been considered in connection with the Embassy's report No. 2626, of January 27, 1936,<sup>1</sup> entitled "American Jews in Germany Deprived of Their Livelihood as a result of the Nuremberg Legislation," the Embassy approached the Foreign Office in a personal and lengthy interview on May 6, at which time the matter was thoroughly discussed, as was also the general situation in this regard.

A memorandum of the Spiegelberg case was left at the Foreign Office at the end of the interview, and for the Department's information a copy thereof is transmitted herewith.<sup>1</sup>

An endeavor was made to impress the official interviewed with the importance which the United States Government attaches to such matters and, as directed, the concern which our Government would feel at any attempt to differentiate between American citizens in applying the terms of Article I, paragraph 1, of the Treaty of Friendship, Commerce and Consular Rights of December 8, 1923, was clearly expressed.

Almost immediately two points were brought out by the official interviewed, (1) that there had been very few, if any, cases of this nature involving American citizens, and (2) that under no circumstances could such cases, especially those arising since the implementa-

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<sup>1</sup> Not printed.

tion of the so-called Nuremberg laws in November 1935,<sup>2</sup> be considered as violating the provisions of the Treaty paragraph referred to above.

The basis for the latter point seems to be as follows:

Mrs. Spiegelberg was engaged in an occupation the pursuit of which, in accordance with the present laws, necessitated membership in the Fachverband der Reichspressekammer in der Reichskulturkammer (Professional Press Association of the Reich's Chamber of Culture), an association operating under the direction of the Ministry of Public Enlightenment and Propaganda. One of the requirements or qualifications for membership in the association apparently is Aryan blood, or, to state it otherwise, persons of non-Aryan races are not qualified to become members. This law has no reference to nationality, and it is applicable alike to Germans and foreigners. It has to do with personal qualifications rather than those pertaining to citizenship in much the same manner as, for example, a polygamist is not qualified to receive a visa to enter the United States regardless of race, citizenship, or other qualifications.

Differentiation between citizens of a foreign country because of race or religion is likewise applicable to German citizens, and for this reason, from the German viewpoint, there is no violation or contravention of the treaty stipulations based on the treaty principle of "privileges upon the same terms as nationals of the state of residence." In this case, it is the Jew who is disqualified, and not the American citizen, in German thought; to endeavor to invoke treaty provisions, therefore, not only gives the Germans definite grounds for refusal, but places us in a position of requesting privileges beyond those granted their own citizens.

While the reaction to this case was definitely negative and unfavorable when considered on a basis of actual right, the Foreign Office stated that it would be very glad to give full consideration to a favorable settlement as evidence of good-will, but that such action was not to be taken as creating a precedent. In fact, it was intimated that there might be but little difficulty in the way of settlement on that basis, but that the case should not be pressed.

No comment was made to the above, except to express the hope that careful consideration be given the whole question in reaching a decision in this instance.

Several informal inquiries as to the status of the matter were subsequently made, and the Embassy has just received a note from the Foreign Office dated August 31, which bluntly informs it that the case has been reviewed by the Reich Ministry for Public Enlightenment and Propaganda but that "it is not in a position" to rescind the deci-

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<sup>2</sup> For texts of these laws, dated September 15, 1935, see *Foreign Relations*, 1935, vol. II, pp. 406-408.

sion arrived at previously. The usual regrets at not being able to comply with a request were not even expressed.

A copy of the note, with a translation, is here-transmitted.<sup>3</sup> In considering this reply, and particularly its tone and time of arrival, the thought has occurred to the Embassy that while the Foreign Office might have been disposed to give certain satisfaction, the Propaganda Ministry had no such intention. Furthermore, the delay in replying might have been caused by a desire not to increase racial ill-will at least until the Olympic Games were disposed of. It is also possible that the general commercial situation existing between the two countries has had something to do with the case.

In the pursuit of this case, the Embassy has had occasion to inquire of other missions in Berlin as to the outcome in similar cases with their nations, and it was ascertained that no success had been achieved except in one or two minor instances presenting important differences in which British citizens had been granted temporary mitigation on a no-precedent basis.

The Embassy frankly feels that no useful purpose would be served in pursuing this case on a basis of treaty rights, but it would be most pleased to receive any instructions in regard to the attitude it should adopt as a result of the German Government's decision.

Respectfully yours,

WILLIAM E. DODD

362.1154 Spiegelberg, Betty G./7: Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, September 4, 1936—12 noon.

[Received September 4—9 a.m.]

272. Department's 114, September 3, 2 p.m.<sup>3</sup> On the basis of a definite negative decision received from the Foreign Office September 2 a complete report on the Spiegelberg case<sup>3</sup> being forwarded by pouch on the *Europa* sailing September 5. Suggest no further action until it is received.

DODD

362.1154 Spiegelberg, Betty G./13: Telegram

*The Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, September 29, 1936—3 p.m.

124. With reference to your despatch 3017 and to instruction No. 581 regarding the Spiegelberg case, you are requested to seek an early

<sup>3</sup> Not printed.

interview with the Foreign Office, preferably with Baron von Neurath<sup>5</sup> himself, for the purpose of requesting him to bring about a satisfactory adjustment of this case.

You should explain to him the history of the case thus far and point out that you are informed that individual cases of this kind have been adjusted in the past.

You should also state that you do not desire to enter into a legal controversy over the general principle involved, but that you do desire to request a satisfactory settlement of the case itself. You should add that the fact that you have been requested personally to take up the case with him indicates the degree of importance which your Government attaches to a satisfactory settlement.

You should likewise indicate that you have been requested to submit a telegraphic reply as early as practicable and that you will accordingly be grateful for an early decision on the part of the German authorities.

Your representations should be kept entirely oral.

HULL

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362.1154 Spiegelberg, Betty G./17: Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, October 19, 1936—noon.

[Received October 19—8:55 a.m.]

306. Department's 124, September 29, 3 p.m.; and my 297 October 1, 9 a.m., last paragraph.<sup>6</sup> We have just received a reply from the Foreign Office dated October 16, the pertinent part of which reads as follows in translation:

“At the suggestion of the Foreign Office the matter has been investigated once more. Accordingly it has been suggested to Mrs. Spiegelberg to file another application with the competent internal authority (Reich press chamber). Until a decision has been reached with regard to this application Mrs. Spiegelberg is permitted to continue her business conditionally, such permission to be effective immediately.”

DODD

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[In telegram No. 79, April 23, 1937, 4 p.m., the Ambassador in Germany reported that: “In spite of all the Embassy's representations at the Foreign Office which has indicated a sympathetic attitude throughout, the Propaganda Ministry on April 1 definitely and finally refused

<sup>5</sup> German Minister for Foreign Affairs. For results of the interview, see telegram No. 297, October 1, 9 a. m., from the Ambassador in Germany, p. 301.

<sup>6</sup> *Post*, p. 301.

to permit Mrs. Spiegelberg to continue her work after they had granted her what they termed as more than a reasonable length of time in which to liquidate her business." In view of the fact that Mrs. Spiegelberg had definitely decided to leave Germany about the middle of May, the Foreign Office had informed the Embassy that she could continue her work without interference until May 20. (362.1154 Spiegelberg, Betty G./28).]

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**REPRESENTATIONS IN BEHALF OF AN AMERICAN CITIZEN ARRESTED FOR SMUGGLING COMMUNISTIC LITERATURE INTO GERMANY AND HELD FOURTEEN MONTHS IN PRISON BEFORE TRIAL**

362.1121 Simpson, Lawrence/54

*The Consul at Hamburg (Schnare) to the Secretary of State*

No. 495

HAMBURG, July 20, 1935.

[Received August 5.]

SIR: I have the honor to acknowledge the receipt of the Department's telegraphic instruction of July 18, 12 noon,<sup>7</sup> requesting the submission of a full, written report as to the circumstances under which Lawrence Simpson, an American seaman, was arrested in Hamburg and to indicate whether reports that he was kidnapped and beaten by German secret police are accurate. Simpson was the subject of the Department's telegraphic inquiry of July 15, 6 p.m.,<sup>7</sup> and of my reply on the following day<sup>7</sup> to the effect that he had been apprehended because found in possession of communistic propaganda material and is accused of being involved with seventy others in communistic activities.

In reply, I have the honor to state that, on the morning of June 28, 1935, a telephone message was received from the Hamburg police authorities advising that they wished to arrest several seamen employed on the S. S. *Manhattan* which would arrive in Hamburg that morning and requesting that, in keeping with the usual practice, an American consular officer be present at the time of the arrest. Accordingly, Consul Yates of this office met the *Manhattan* at the pier and was with the captain on the bridge when an inspector of the State Police of Hamburg appeared and identified himself and stated that he had boarded the ship at Cuxhaven and, on searching the crew's quarters, had found in the quarters of Lawrence Simpson large quantities of communistic propaganda material together with balloons with fuses attached, apparently intended for use in broadcasting the communistic pamphlets. Captain Randall, the commander of the vessel,

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<sup>7</sup> Not printed.

confirmed the fact that the communistic propaganda material had been found in Simpson's quarters and that the German authorities appeared to be within their rights in seizing him. The inspector asked whether there were any objections to taking the man ashore under arrest and was advised there were not. He was, accordingly, placed under arrest and taken ashore.

About 10 days later, on July 8, Consul Yates made inquiries concerning Simpson's whereabouts and developments in the case and learned that he had been placed in the concentration camp (*Konzentrations Lager*) in Fuhlsbuettel pending trial; that he is suspected of being one of a group of about 70 persons involved in an important case known as "Mehlis und Genossen" (Mehlis and accomplices); and that the collection of evidence and preparation for the trial might require considerable time, for which reason he had not been detained in the local jail but placed in the concentration camp on the outskirts of the city, where his surroundings are much less irksome and confining than in the local prison.

On July 19, Consul Yates visited Simpson in the concentration camp at Fuhlsbuettel and talked with him in the presence of the sectional prison director who requested that his case be not discussed. Simpson appeared to be in good physical condition and had no comment or complaint to make regarding his treatment. The authorities showed every consideration to Consul Yates, who states that he informally discussed with Simpson the offense with which he is charged and that he admitted he had been in possession of the communistic propaganda material but asserted that he had no intention of smuggling it ashore, a responsibility which fell upon someone else. Upon suggesting that he well knew what sort of work he had been engaged in, Simpson replied that it was true but that he had not known that it was liable to get him into trouble. Consul Yates states that, for a native-born American, Simpson shows an astounding knowledge of German.

In view of the foregoing, it can be categorically denied that Simpson was kidnapped and stated that there appears to be no reason to believe, either from the circumstances surrounding his arrest or from his appearance and statements, that he has been beaten by the German secret police.

The State Department of Hamburg has been requested to furnish this office with a complete report of the case and the Department will be kept currently advised of developments. It is understood that Simpson can communicate in writing with this Consulate General whenever he wishes and that he may be visited at any time by representatives of this office, if necessary.

Respectfully yours,

LESTER L. SCHNARE

362.1121 Simpson, Lawrence/74 : Telegram

*The Secretary of State to the Consul at Hamburg (Schnare)*

WASHINGTON, August 17, 1935—1 p.m.

Referring to your despatch No. 499,<sup>8</sup> please express to the appropriate German authorities, unless you have already done so, the hope that Simpson may be given an early trial.

The Department is likewise interested in knowing what measures have been taken to assure Simpson of adequate legal representation.

Please telegraph all important developments and supplement with full written reports. You should also keep the Consul General at Berlin and the Embassy fully informed.

HULL

362.1121 Simpson, Lawrence/104

*The Consul General at Hamburg (Erhardt) to the Secretary of State*

[Extracts]

No. 521

HAMBURG, August 29, 1935.

[Received September 16.]

SIR: I have the honor to refer to the Department's telegram of August 17, 1935, and my cabled reply of August 19, 1935, 6 p.m.,<sup>9</sup> relating to the arrest in Hamburg of Lawrence Simpson. I have, also, to call attention to my despatch number 511 of August 17 [19]<sup>8</sup> reporting Consul Yates' interview with Simpson on the previous day. Since then I have had personal discussions in this matter with Mr. Wilhelm Boltz, Chief of the Hamburg police, Inspector Peter Kraus of Inspection VI of the Hamburg State Police, Commodore Albert B. Randall, Master of the S/S *Manhattan*, Harry Manning, Chief Officer of the S/S *Manhattan* and the Consuls General of Great Britain, Sweden and Finland in Hamburg.

In tracing facts I have discovered, and enclose sworn statements indicating that Lawrence Simpson was in possession of anti-fascist and communistic propaganda material, largely in the form of stickers and pasters, as well as German correspondence (contents unknown) which, according to his admission to Consul Yates, was to be delivered on board the S/S *Manhattan* at its pier in Hamburg to a German accomplice for smuggling into Germany.

It appears, therefore, that, on the statement of Simpson and the testimony of other persons, there are grounds for suspecting that

<sup>8</sup> Not printed.

<sup>9</sup> Latter not printed.

Simpson had committed a crime under existing German law and that the authorities were warranted in proceeding with the arrest and trial of the accused. I have expressed to the appropriate German authorities the hope that Simpson may be given an early trial. I was assured by the local officials that Simpson's trial would take place as soon as they have finished their investigation of his accomplices. In my despatch of August 17 [19] I mentioned that seventy suspects were under investigation. Since then, according to Inspector Kraus, thirty additional persons have been found that may be connected with the group. Similar investigations were conducted, according to the Swedish Consul General, in the cases of Myllymaki and Mineur. Several months were required to complete the police's endeavors in that case. I shall not fail to protest to the officials should Simpson's trial be delayed longer than the time required in the case of Myllymaki and Mineur.

Regarding the measures taken to assure Simpson of adequate legal representation, as related in my despatch number 511 of August 17 [19], Simpson has expressed a desire to be represented by an attorney of the "Rote Hilfe", presumably the Communist Defense League. He was informed by Consul Yates that the "Rote Hilfe" no longer existed in Germany and since he expressed a desire not to have a German lawyer he was requested to communicate in writing with this office his further wishes. To date he has not indicated his preferences. Simpson may be relying on the Anti-Nazi Commission, 168 West 23rd Street, New York City, or another organization, unknown to this office, to safeguard his interests in supplying proper German counsel. However, I expect to visit Simpson shortly and shall then endeavor to have him make a decision in this connection. Should his friends in the United States be unable to provide him with counsel or to defray the expenses of German lawyers he will, of course, be represented by an attorney appointed by the court. A retaining fee of perhaps Reichsmarks 1,000 (at to-day's rate of exchange \$400.00) was the average fee paid in the cases cited.

Respectfully yours,

JOHN G. ERHARDT

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362.1121 Simpson, Lawrence/147: Telegram

*The Secretary of State to the Consul General at Berlin (Jenkins)*

WASHINGTON, April 28, 1936—6 p.m.

Your despatch 888.<sup>11</sup> Department approves your action in seeking to expedite Simpson proceedings and requests that you continue to press for an early trial.

HULL

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<sup>11</sup> Not printed.



362.1121 Simpson, Lawrence/197: Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, July 29, 1936—6 p.m.

95. With reference to the Simpson case, I told the German Ambassador<sup>12</sup> yesterday in substance that although of course the German Government has power to arrest and imprison an American national, I felt constrained and thoroughly justified in bringing to his Government's attention the fact, wholly beyond the comprehension of our people, that Simpson had been kept in prison for a year without indictment; that the generally recognized practice which protects persons against prolonged imprisonment unless indicted is deeply embedded in our laws; and that the effect on American public opinion has been an aroused feeling of injustice due to the confinement of an American for a year without indictment or trial, or the privilege of release on bail.

You are requested to transmit the sense of the above orally to the German Foreign Office adding that it is my confident hope that Simpson will speedily be brought to trial.

HULL

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362.1121 Simpson, Lawrence/198: Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, July 30, 1936—6 p.m.

[Received July 30—1:25 p.m.]

237. Department's 95, July 29, 6 p.m. In view of important negotiations now going on with the People's Court relative to obtaining approval of a lawyer to defend Simpson and an interview for Cochran<sup>13</sup> with the latter, the Consulate General considers it preferable that no representations be made to the Foreign Office until these arrangements, expected in the next day or so, are consummated.

Unless otherwise instructed I shall defer representations at the Foreign Office pending above-mentioned negotiations.

Referring to the first paragraph of the Department's telegram the Consulate General states that Simpson was indicted the early part of June as previously reported.

MAYER

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<sup>12</sup> Hans Luther.

<sup>13</sup> Gifford A. Cochran, agent of Lawrence Simpson's father.

362.1121 Simpson, Lawrence/202 : Telegram

*The Secretary of State to the Chargé in Germany (Mayer)*

WASHINGTON, July 31, 1936—7 p.m.

98. Your 237, July 30, 6 p.m. While I naturally would not wish to interfere with any arrangements that are being made on Simpson's behalf or in his interest, the fact remains that I have presented this matter to the German Ambassador here, who has no doubt already reported to his Government. It was my understanding that the court had appointed a lawyer to defend Simpson, and that this lawyer was actively engaged in preparing Simpson's defense. I do feel that the representations in question should not be unduly delayed.

HULL

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362.1121 Simpson, Lawrence/208 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, August 7, 1936—noon.

[Received August 7—9 a.m.]

247. Instructions contained in the Department's telegram 95, July 29, 2 [6] p.m., carried out.

The Department's viewpoint was readily acknowledged at the Foreign Office although as a weak defense it was stated that Simpson himself had requested detention in a concentration camp rather than to be brought before a court of justice. In reply to the report the German Ambassador made after your interview he was informed that serious charges against Simpson involve among other things distribution of Communistic propaganda in Germany for 6 months prior to arrest and that sentence would probably be severe.

Now that the legal matters reported by the Consulate General yesterday are arranged and after our representations the Foreign Office gave practical assurance that the trial would be set for the forepart of September.

MAYER

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362.1121 Simpson, Lawrence/232

*Memorandum by the Secretary of State*

[WASHINGTON,] August 31, 1936.

The German Ambassador called in connection with the Simpson case, wherein Simpson, an American citizen, has been confined in German jails for twelve months and relative to which I made earnest representations to the German Ambassador several weeks ago.

The Ambassador merely reported that, according to some press service, he had just noticed that the trial has been set for September 28th or 29th. I had spoken about the charge being entirely out of proportion to the alleged offense and about the prisoner having been confined some ten months without the right of bail or an opportunity for trial and that I did not recall just how much of this period he was kept in jail incommunicado. The Ambassador eased away from each point except the one relating to the fixing of a date for the trial and gave me that information. I thanked him and again referred with emphasis to the disproportionate nature of the charge in contrast with the facts and also the long period of confinement. The Ambassador could only refer to efforts of Simpson to take from the United States to Germany 2000 pamphlets of communistic literature and other tracts or publications and, in certain other respects violative of German law, attempt to propagate Communism in Germany.

I replied that none of these things borders on capital offense from any possible standpoint, and that the defendant ought not in justice or fairness to be thus prosecuted; that, of course, I have as little use for Communism as any person could possibly have but that that was beside the point I was discussing. I still received very little comment from the Ambassador except as to the day set for the trial and the promiscuous efforts of the defendant to propagate Communism.

C[ORDELL] H[ULL]

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362.1121 Simpson, Lawrence/265

*The Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, September 23, 1936—6 p.m.

120. I have today spoken to the German Ambassador regarding the Simpson case and pointed out to him the aroused state of public opinion in this country, a state of mind which has been aggravated and intensified by Simpson's long period of detention prior to his trial. I dwelt on the necessity of making adequate provision to enable Simpson to present all testimony that may be of possible advantage to him and on the importance of giving the most fair consideration to his testimony in view of the fact that his counsel however conscientious is nevertheless a state appointed attorney. I stressed how unfortunate the effect would be here if any excessive or irreparable sentence were imposed upon Simpson.

I requested the German Ambassador to bring these considerations to the attention of his Government.

You are requested to convey them orally to the Foreign Office.

HULL

362.1121 Simpson, Lawrence/268 : Telegram

*The Secretary of State to the Consul General at Berlin (Jenkins)*

WASHINGTON, September 23, 1936—6 p.m.

1. I do not anticipate that you will encounter any difficulty in carrying out the Department's instructions in having a representative of the Consulate General admitted to the trial of Lawrence Simpson. If there should be any doubt of this, you should invoke with the competent judicial authority the final paragraph of Article 23 of the Treaty of December, 1923,<sup>14</sup> and have the Embassy do likewise with the Foreign Office in order that the matter may be immediately arranged.

2. You are also directed to consult with Simpson's counsel for the purpose of ascertaining whether adequate provision is being made to enable Simpson to present all testimony that may be of possible advantage to him.

3. You should keep the Department promptly informed in the premises.

4. [Here follows paragraph similar to first paragraph of telegram printed *supra*.]

5. I requested the German Ambassador to bring these considerations to the attention of his Government and I have also requested our Embassy at Berlin to convey them to the Foreign Office.

HULL

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362.1121 Simpson, Lawrence/266 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, September 24, 1936—3 p.m.  
[Received September 24—12:30 p.m.]

289. Department's telegram No. 120, September 23, 6 p.m. Your attitude was explained at the Foreign Office this morning and as no indication was given that a report from the German Ambassador on your interview with him had been received particular pains were taken in its presentation.

In promising to transmit our views to the Ministry of Justice the Foreign Office, as has been its practice in the past, wished to impress us with the point that the case would be handled strictly in accordance with German judiciary proceedings without regard to political consid-

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<sup>14</sup>Treaty of friendship, commerce, and consular rights between the United States and Germany, signed December 8, 1923, *Foreign Relations, 1923*, vol. II, pp. 29, 42.

erations and that such time as Simpson has been incarcerated would be applied against any prison sentence he may receive.

Dodd

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362.1121 Simpson, Lawrence/267 : Telegram

*The Consul General at Berlin (Jenkins) to the Secretary of State*

BERLIN, September 24, 1936—5 p.m.  
[Received September 24—1:55 p.m.]

Referring to Department's September 23, 6 p.m., I called this morning on the President of the Third Senate of People's Court and told him that the Consulate General would like to have Mr. Geist<sup>15</sup> present at trial of Simpson on Monday. The judge replied that he would be glad to have Geist attend the trial except possibly when evidence was being given in regard to espionage. He explained that under present German law, hearings on this charge were supposed to be secret and the court might insist on secret hearing at this point when he hoped Geist would leave the room for the time being. However, the judge intimated that the court might make an exception in Geist's favor in which event he would be permitted to remain.

2. In view of judge's attitude which seemed to indicate that the consular representative will be permitted to be present at most of if not the entire trial, I did not deem it advisable to invoke article 23 of the treaty immediately but will consult Embassy this afternoon respecting this point with a view to determining just how we should proceed.

3. Will report tomorrow in regard to above case and outcome of conference this afternoon with Simpson's counsel respecting introduction of testimony in latter's behalf at trial.

4. May I express hearty appreciation of this Consulate General of the attitude taken by the Secretary in recent conference with representatives of so-called committee for defence of political prisoners.

JENKINS

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362.1121 Simpson, Lawrence/269 : Telegram

*The Consul General at Berlin (Jenkins) to the Secretary of State*

BERLIN, September 25, 1936—1 p.m.  
[Received September 25—9:15 a.m.]

Referring to my telegram of September 24, 6 [5] p.m., especially paragraph 2.

1. I called again on President of second section of People's Court and invited his attention to article 23 of the treaty. The President

<sup>15</sup> Raymond H. Geist, Consul at Berlin.

said that it would be the duty of the court to consider this provision if it became necessary to exclude the public at any time from the trial. He intimated that in his personal opinion the provision in the treaty could hardly be interpreted as applying to cases involving the safety of the state. However, he explained again that he hoped it would not be found necessary to exclude the public at any time from Simpson trial although he could not be sure of this in advance. The Embassy has been informed of this conversation and I understand will bring the article in the treaty to the attention of the Foreign Office.

[2.] Simpson's counsel states that provision has been made to present all testimony in defendant's behalf including one witness requested by Simpson. Lawyer also states that Simpson has now changed his mind and wishes to employ assistant counsel of his own choice. Department may want to bring this to the attention of Simpson's friends although it now seems too late to do anything in the matter because necessary fees will have to be provided in advance and any lawyer selected would wish to have time to examine case. Moreover, court's permission must also be obtained.

3. In view of the importance Simpson case has evidently assumed, I have decided to attend at least part of the trial along with Geist.

JENKINS

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362.1121 Simpson, Lawrence/271 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, September 26, 1936—10 a.m.  
[Received September 26—9:10 a.m.]

290. Referring to the first paragraph of the Department's telegram September 23, 6 p.m. to the Consul General. While the Consul General is definitely assured that he will be permitted to attend Simpson's trial, or at least all except such portions as may involve evidence of a secret character, the Embassy took the matter up again with the Foreign Office yesterday and brought article 23 of the treaty to its attention. The immediate reaction was similar to that of the President of the Second Senate of the People's Court in his conversation with the Consul General (see Consulate's telegram of September 25, 1 p.m.).

The last conversation was followed this morning by a *note verbale* to the effect that the Embassy would consider a refusal to permit a consular representative to attend the trial at any or all time as contrary to the paragraph under reference and it was added "that also it seriously apprehends that in view of the widespread public interest in the case in the United States the effect of such a possible refusal would be detrimental to the relations between the two countries".

Preliminary to the trial on Monday the Embassy contemplates no further step unless instructed by the Department.

DODD

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362.1121 Simpson, Lawrence/284 : Telegram

*The Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, September 28, 1936—noon.

121. The Associated Press reports that Simpson has confessed to distributing Communist literature and was given a sentence of 3 years minus the 15 months already served. You are requested, if the Associated Press report is accurate, to communicate orally with the German authorities and to make strongest possible representations to get the unserved portion of sentence suspended with the understanding that Simpson be deported at once. You should add that the basis for this recommendation is that he has already been sufficiently punished and that he appears to be of defective mind in that he has previously refused counsel and that he has refused to accept the offers of assistance of his father and friends, and any other reasons you may have.

Please telegraph developments.

HULL

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362.1121 Simpson, Lawrence/281 : Telegram

*The Consul General at Berlin (Jenkins) to the Secretary of State*

BERLIN, September 28, 1936—5 p.m.  
[Received September 28—11:10 a.m.]

Court has just found Simpson guilty of so-called treason and espionage and has sentenced him to 3 years penitentiary less 14 months already spent in jail. Report by mail follows.<sup>19</sup>

JENKINS

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362.1121 Simpson, Lawrence/299 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, October 1, 1936—9 a.m.  
[Received October 1—7:10 a.m.]

297. Your Nos. 121, and 124 of September 28 and 29, respectively.<sup>17</sup> I saw Neurath<sup>18</sup> personally last evening on both the Simpson and the

<sup>19</sup> Not printed; by telegram No. 123, September 28, 4 p.m., the Secretary of State requested that full report be transmitted by telegraph (362.1121 Simpson, Lawrence/285).

<sup>17</sup> For telegram No. 124, September 29, see p. 289.

<sup>18</sup> Baron von Neurath, German Minister for Foreign Affairs.

Spiegelberg case<sup>19</sup> presenting to him your views and ours in the strongest possible manner.

1. He wished me to inform you that he regretted he could hold out no hope whatever for any mitigation of Simpson's sentence; that he felt the sentence was fully justified by the crime and was in fact lenient; that in a recent general discussion of treatment of foreign Communists with the Chancellor the latter's views had been very definite, that he (Neurath) could not therefore deviate from the law and policy "even for an American"; that medical reports had not shown Simpson to be mentally defective; and that any possible injustice towards Simpson resulting from long imprisonment before indictment had been rectified by the application of all time served against the entire sentence. He would, however, consider my representations and thought that the case might be taken up again in several months with some possibility of readjustment. I left an *aide-mémoire* with him on the case.

If there had been any hope for success otherwise it faded entirely when Neurath referred to a telegram before him, parts of which he read, just received from Luther reporting among other things that since the sentence had been pronounced the American press had largely given up the case or softened its tone. To this must be added, as background, the German Government's recent crusading anti-Bolshevik pronouncements made for both domestic and foreign consumption.

2. Neurath reacted quite differently to the Spiegelberg case. He was sympathetic and made notes of the facts promising to do what he could to bring about a satisfactory settlement on the basis of the case itself. He said an early decision would be forthcoming.

DODD

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362.1121 Simpson, Lawrence/330 : Telegram

*The Secretary of State to the Consul General at Berlin (Jenkins)*

WASHINGTON, October 16, 1936—1 p.m.

Your October 13, 11 a.m. and October 14, 1 p.m.<sup>20</sup> It appears from your October 14, 1 p.m., that Dr. Krone<sup>21</sup> feels that a petition for Simpson's pardon would not be considered prior to a year from the date of sentence, that is not before September 28, 1937. You are accordingly requested to seek another interview with Dr. Krone at an early date, and to point out to him the exceptional hardship that this

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<sup>19</sup> See pp. 285 ff.

<sup>20</sup> Neither printed.

<sup>21</sup> Reference apparently is to Dr. W. Crohne of the German Ministry for Justice.



involves in the present instance. In view of Simpson's detention in prison for 15 months prior to trial, it would mean that he had largely completed his sentence before a petition for pardon would be entertained. On the other hand, a person who had been accorded a prompt trial would enjoy this privilege within a period of but a little more than a year. You should inquire whether in view of these considerations, and other mitigating facts, it would not be possible for the competent German authorities to consider an immediate petition for pardon and to permit Simpson, if he so desires, to proceed with the submission of such a petition.

In this event, you should also ascertain definitely (1) whether Simpson intends to take advantage of the opportunity to petition for a pardon; (2) the name of a lawyer who would be willing and who would be permitted to assist him, and (3) the estimated total expense involved.

Please inform us as early as practicable regarding these matters and add such recommendations and suggestions as you feel may be helpful. If the various factors in the situation permit of the presentation of a petition for pardon at this time we shall make inquiry regarding funds.

HULL

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362.1121 Simpson, Lawrence/333 : Telegram

*The Consul General at Berlin (Jenkins) to the Secretary of State*

BERLIN, October 20, 1936—11 a.m.

[Received October 20—8:10 a.m.]

Referring to my telegram of October 17, noon,<sup>22</sup> Simpson has signed petition asking Chancellor for pardon, expressing regret for interfering in German political affairs, and promising never to do so again. This should make Consulate General's efforts to secure Simpson's release somewhat easier. I will present document to proper authority immediately together with supporting memorandum. Will continue to keep Department informed by telegraph.

JENKINS

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362.1121 Simpson, Lawrence/351 : Telegram

*The Secretary of State to the Ambassador in Germany (Dodd)*

WASHINGTON, November 5, 1936—6 p.m.

135. Referring to your 323 of November 4, 5 p.m.,<sup>22</sup> you are requested to support Simpson's petition for pardon by oral representations to

<sup>22</sup> Not printed.

the Foreign Office. It is suggested that in doing so you urge upon the Foreign Office (1) the fact that Simpson's petition indicates that he is penitent and that he has promised never to interfere in German political affairs again; (2) the fact that Simpson has already served a substantial part of his term; and (3) the possibility that continued imprisonment seems likely further to impair his physical condition. You may of course present any additional considerations which commend themselves to your judgment.

HULL

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362.1121 Simpson, Lawrence/357 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, November 7, 1936—10 a.m.  
[Received November 7—9:40 a.m.]

326. Department's 135, November 5, 6 p.m. Action taken as requested. The Embassy's oral representations were received sympathetically. Foreign Office will get in touch with Doctor Krohne of the Ministry of Justice.

DODD

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362.1121 Simpson, Lawrence/367 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, December 1, 1936—2 p.m.  
[Received December 1—10:50 a.m.]

353. My 326, November 7, 10 a.m. We have just been informed by Foreign Office that Simpson's 3-year sentence will be interrupted as of December 20 when he will be released on 5 year probation.<sup>24</sup> I have informed the Consul General who is seeing the Minister of Justice and arranging the details with him. The Consul General will not give any information to the press here until after he has seen the Minister of Justice. Respectfully suggest that the Department defer publicity until this action is taken and word received from Consul General.

Confidentially, the appropriate official in Foreign Office informed us several days ago that it had sent the application for pardon to Hitler with a favorable recommendation. We feel Foreign Office has been very helpful in trying to smooth out this situation.

DODD

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<sup>24</sup> In a telegram of December 23, the Consul General at Berlin informed the Department that Simpson had sailed that day for the United States (362.1121-Simpson, Lawrence/384).

## GREECE

### TREATY OF ESTABLISHMENT BETWEEN THE UNITED STATES AND GREECE, SIGNED NOVEMBER 21, 1936

711.689 Entry, Residence and Establishment/1

*The Secretary of State to the Minister in Greece (MacVeagh)*

No. 240

WASHINGTON, November 15, 1935.

SIR: By instruction No. 135, of March 2, 1928,<sup>1</sup> the Department transmitted to the Honorable Robert P. Skinner, for submission to the Greek Foreign Office a draft of a treaty of friendship, commerce and consular rights. Detailed instructions commenting on the several articles of the draft were given to Mr. Skinner in the Department's instruction No. 183 [153], of April 21, 1928.<sup>2</sup>

In his despatch No. 619, of June 26, 1928,<sup>2</sup> Mr. Skinner informed the Department of the views of the Chief of the Treaty Section of the Foreign Office on the draft, and requested further instructions of the Department in the light of these views. By despatch No. 630, of July 6, 1928,<sup>2</sup> Mr. Skinner supplied the Department with further points relating to the views of the Greek Government with respect to the draft treaty.

Consideration of the Greek Government's views, by the various interested departments of the Government of the United States was not completed until early in 1932, at which time a draft instruction in reply to Mr. Skinner's despatches No. 619 and No. 630 was prepared. However, before this instruction could be dispatched to the Legation, Greek commercial policy had been revised under the stress of existing conditions in favor of controlled imports and exports. The Department therefore concluded that the time was not auspicious for the continuance of the negotiations looking to the conclusion of the treaty under consideration.

Other controlling factors in this decision were the existence of the exchange of notes between the United States and Greece, of December

<sup>1</sup> *Foreign Relations*, 1928, vol. III, p. 19.

<sup>2</sup> Not printed.

9, 1924,<sup>3</sup> according mutual unconditional most-favored-nation treatment in customs matters, but which could be cancelled on one month's notice, and the fact that the Consular Convention of 1902<sup>4</sup> was still in force. Furthermore, although no treaty was in existence governing matters of establishment and residence, it appeared that Greece was according most-favored-nation treatment to the United States in this respect as well as in customs matters.

Recently, however, the Department's attention has again been drawn to the treaty situation with Greece by the fact that under the laws for the control of the sale of alcoholic beverages enacted by certain of the states, and notably by the State of New York and by the State of Washington, only those aliens enjoying the right to engage in commerce in the United States by virtue of treaty provisions, can obtain licenses to sell alcoholic beverages in the states concerned. In several instances Greek nationals have in fact been refused liquor licenses because of the non-existence of treaty provisions operating to exempt them from the stipulations of state laws excluding aliens from engaging in the sale of alcoholic beverages.

In view of this situation it seems obvious that the relations between the United States and Greece with respect to establishment and residence should be regularized without delay by a treaty: otherwise, the inability of Greek nationals in certain states to obtain liquor licenses may result in action by the Greek Government detrimental to American citizens in Greece. It is, therefore, the Department's desire that you point out to the Foreign Office the apparent need for a treaty of establishment and residence between the two states. If the Greek Government is favorable to the proposal you should submit the enclosed draft treaty<sup>5</sup> as a basis for the negotiations.

You will observe that this draft provides for most-favored-nation treatment with respect to entry, establishment and residence. In the event that the treaty of commerce and navigation of July 16, 1926, between Great Britain and Greece<sup>6</sup> is no longer in force, you should so inform the Department and await further instructions before approaching the Foreign Office under this instruction.

Upon the receipt of a telegram from you reporting that the Greek Government agrees in principle to the early conclusion of a treaty of entry, establishment and residence and that you have submitted the enclosed draft as a basis for negotiation, the Department will take the necessary steps to provide you with full powers. You should, of

<sup>3</sup> *Foreign Relations*, 1924, vol. II, p. 279.

<sup>4</sup> Signed November 19/December 2, 1902, *ibid.*, 1903, p. 565.

<sup>5</sup> Not printed; it was substantially the same as text of final treaty.

<sup>6</sup> League of Nations Treaty Series, vol. LXI, p. 15.

course, understand that no treaty is to be signed by you until the final text thereof has been approved by the Department.

Very truly yours,

For the Secretary of State:

WILLIAM PHILLIPS

711.689 Entry, Residence and Establishment/2: Telegram

*The Minister in Greece (MacVeagh) to the Secretary of State*

ATHENS, January 23, 1936—noon.  
[Received January 23—10:30 a. m.]

13. Department's instruction No. 240 of November 15, 1935. The Greek Government agrees in principle to the proposed treaty negotiations and I have submitted the draft forwarded with the Department's instruction under reference.

MACVEAGH

711.689 Entry, Residence and Establishment/5: Telegram

*The Minister in Greece (MacVeagh) to the Secretary of State*

ATHENS, September 24, 1936—noon.  
[Received September 24—9:05 a. m.]

96. My telegram No. 13, January 23, noon. I am informed by the Foreign Office that the Greek Government is now ready to sign the treaty exactly as worded in the draft enclosed with the Department's instruction No. 240, November 15, 1935. The Foreign Office will submit the Greek text to this Legation in a few days. Does the Department wish to see this text before forwarding powers?

MACVEAGH

711.689 Entry, Residence and Establishment/6: Telegram

*The Secretary of State to the Minister in Greece (MacVeagh)*

WASHINGTON, September 25, 1936—6 p. m.

53. Your 96, September 24, noon. Department relies upon Legation to assure that Greek and English texts will be exactly identic in meaning. Full powers being forwarded.

HULL

[For text of treaty, signed at Athens, November 21, 1936, see Department of State Treaty Series No. 930, or 51 Stat. 230.]

ACCEPTANCE WITH RESERVATIONS BY THE UNITED STATES OF  
PARTIAL INTEREST PAYMENTS ON AMERICAN LOANS TO GREECE  
UNDER THE AGREEMENTS OF MAY 10, 1929, AND MAY 24, 1932<sup>1</sup>

868.51 War Credits/707

*The Greek Minister (Sicilianos) to the Secretary of State*

No. 113

EXCELLENCY: Referring to the Department's letter of September 30, 1935,<sup>2</sup> regarding the payment of amounts due under Part II of the Debt Agreement of May 10, 1929,<sup>3</sup> and in conformity with instructions from my Government, I have the honor to inform you that the Ministry of Finance of Greece is ready to effect a payment to the Treasury of the United States of 35% of the interest due on May 10, 1935, and November 10, 1935, each instalment amounting to \$76,272.

Such percentage was offered to the stockholders of the Greek Stabilization and Refugee Loan, and, despite the fact that no agreement was reached up to now, the Royal Greek Government decided to put at the disposal of the paying banks, the amounts due to the stockholders.

The Royal Greek Government, desiring always to scrupulously fulfill their obligations within the limit of their capacity to pay, propose for the consideration of the American Government the immediate payment of the two instalments as above independently of the pending negotiations with the aforesaid stockholders.

My Government wish, however, to state that this payment of interest does not imply recognition of this debt as a private debt, but maintain their position that regarding its final settlement, it should be considered as a war debt.

Accept [etc.]

D. SICILIANOS

WASHINGTON, January 30, 1936.

868.51 War Credits/706

*The Under Secretary of State (Phillips) to the Secretary of the Treasury (Morgenthau)*

WASHINGTON, February 3, 1936.

MY DEAR MR. SECRETARY: I enclose a copy of a note dated January 30, 1936,<sup>10</sup> from the Greek Minister at Washington, who, on instruc-

<sup>1</sup> For previous correspondence regarding these loans, see *Foreign Relations*, 1935, vol. II, pp. 506 ff.

<sup>2</sup> *Ibid.*, p. 509.

<sup>3</sup> U. S. Treasury Department, *Annual Report of the Secretary of the Treasury for the Fiscal Year Ended June 30, 1929* (Washington, Government Printing Office, 1930), p. 308.

<sup>10</sup> *Supra*.

tions from his Government, states that the Ministry of Finance of Greece is ready to effect a payment to the Treasury of the United States of 35 percent of the interest due May 10, 1935, and November 10, 1935, under the Debt Agreement of May 10, 1929. I also enclose for your consideration a draft of a reply<sup>11</sup> which, if it meets with your approval, I might make to the Greek Minister.

You will recall that the League Loans Committee and the (British) Council of Foreign Bondholders in public announcements of February 19, April 11, May 11, and May 31, 1935, have expressed the opinion that it would be well within the capacity of Greece to make larger payments than 35 percent of interest on external loans which has fallen due on and after April 1, 1935, and have stated that they are unable to recommend this offer to the acceptance of bondholders or to recommend bondholders to cash their coupons in the absence of a definite and improved offer. You will also recall that in the advertisement published in this country September 26, 1935,<sup>12</sup> in which the Greek Government asked holders of the Stabilization and Refugee Loan of 1928, to present their coupons for payment of 35 percent of their face value, the Greek Government stated that acceptance would not prejudice the rights of bondholders towards any further payment whatsoever which might eventually be agreed upon for the year 1935-1936. While no agreement has been reached between the Greek Government and any bondholders protective organization regarding the payment of interest falling due since April 1, 1935, I see no sufficient reason why the United States should not receive, with appropriate reservations, the amount the Greek Government is prepared to tender.

I have not, as yet, acknowledged the receipt of the note of the Greek Minister. I shall be glad to have any comment or suggestions you may care to make as to the terms of the reply I should send him.

Sincerely yours,

WILLIAM PHILLIPS

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868.51 War Credits/708

*The Acting Secretary of the Treasury (Coolidge) to the Secretary of State*

WASHINGTON, February 6, 1936.

SIR: Receipt is acknowledged of your letter of February 3, 1936, (File EA 868.51 War Credits/706) enclosing a copy of a note from the Greek Minister at Washington stating that the Ministry of Finance of Greece is ready to effect a payment to the Treasury of 35% of the interest due on May 10, 1935 and on November 10, 1935, under part 2

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<sup>11</sup> For text, see note of February 8 to the Greek Minister, p. 310.

<sup>12</sup> *New York Times*, September 26, 1935, p. 38, col. 2.

of the Debt agreement of May 10, 1929, and also enclosing for my consideration and approval, a draft of a reply which you might make to the Greek Minister.

I agree with your statement that there is no sufficient reason why the United States should not receive, with appropriate reservations, the amount the Greek government is prepared to tender. The draft of your reply to the Greek Minister appears sufficient to protect the contractual rights of the Government of the United States under part 2 of the debt agreement of May 10, 1929, and I have no suggestions to make with respect to the terms of your reply.

Very truly yours,

T. J. COOLIDGE

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868.51 War Credits/708

*The Secretary of State to the Greek Minister (Sicilianos)*

WASHINGTON, February 8, 1936.

SIR: I have the honor to acknowledge the receipt of your Note No. 113, dated January 30, 1936, regarding the payment of amounts due under Part II of the Debt Agreement of May 10, 1929.

This Government will be glad to receive the instalments which your Government tenders, without prejudice to the position which has been publicly taken by associations acting on behalf of holders of Greek bonds that it would be well within the capacity of Greece to make larger payments than 35 percent of the interest on its external bonds which fall due in the year beginning April 1, 1935, and without prejudice to the contractual rights of the Government of the United States under Part II of the Debt Agreement of May 10, 1929. This last-mentioned reservation of the rights of the United States is applicable alike in regard to the specific provision made for the event of there occurring in any year a default in the payment of the service of the new loan provided for in the Agreement, and to the general provision that the new loan shall rank with and shall share the same securities and advantages as the Greek Stabilization and Refugee Loan of 1928.

As indicated in my Note of October 22, 1935,<sup>13</sup> payment of the amounts tendered by your Government may be made either at the Treasury in Washington or at the Federal Reserve Bank of New York. Pursuant to your request, on receipt of these payments the Treasury will apply \$76,272 to the payment of 35 percent of the semi-annual interest amounting to \$217,920, due May 10, 1935, on the

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<sup>13</sup> Not printed.



4 percent loan of 1929, and \$76,272 to the payment of 35 percent of the semi-annual interest amounting to \$217,920 due November 10, 1935, on the same loan.

With regard to the last paragraph of your Note under acknowledgment, I refer to the reservation of the rights of the United States hereinabove.

Accept [etc.]

CORDELL HULL

868.51 War Credits/714

*The Assistant Secretary of State (Carr) to the Secretary of the Treasury (Morgenthau)*

WASHINGTON, March 28, 1936.

MY DEAR MR. SECRETARY: With reference to the letter addressed by the Banque de Grece, Athens, to the Federal Reserve Bank of New York, March 12, 1936, covering payment to the Treasury of the United States of the amount of \$152,544 in payment of 35 percent of interest due on May 10, 1935, and November 10, 1935, on the Four Per Cent Loan of 1929, copy of which you have informally furnished this Department,<sup>14</sup> I suggest that the receipt covering this transaction contain, in addition to the appropriate statement of the receipt and application of the payment, the following reference to the reservation of the Greek Government expressed in the letter under reference.

"With reference to the statement of the Banque of Grece that the above-mentioned payment is made under reservation of all rights by the Hellenic Government, which contends that the loan in question ranks among the war loans, I have to state that the payment is received without prejudice to the contractual rights of the United States, which are set forth in Part II of the Debt Agreement of May 10, 1929, and in accordance with the position of the United States Government stated in a note addressed by the Secretary of State to the Greek Minister at Washington, February 8, 1936."

Sincerely yours,

WILBUR J. CARR

868.51 War Credits/718

*The Secretary of State to the Greek Minister (Sicilianos)*

WASHINGTON, April 15, 1936.

SIR: I am requested by the Secretary of the Treasury to notify the Government of Greece that on March 26, 1936, there was deposited

<sup>14</sup> Not printed.

with the Federal Reserve Bank of New York the sum of \$152,544 by the Bank of Greece for account of the Government of Greece as a partial payment of interest due from that Government to the United States on May 10 and November 10, 1935. The Treasury applied \$76,272 of these funds to the payment of 35 percent of the semi-annual interest, amounting to \$217,920, due May 10, 1935, and \$76,272 to the payment of 35 percent of the semi-annual interest, amounting to \$217,920, due November 10, 1935, on the four percent loan of 1929.

In view of a communication of March 12, 1936, addressed to the Federal Reserve Bank of New York by the Bank of Greece, authorizing the above payment to the Treasury of the United States, the Treasury Department in a letter addressed April 11, 1936, to the Bank of Greece notified the latter that the payment was received without prejudice to the contractual rights of the United States, which are set forth in Part II of the Debt Agreement of May 10, 1929, and in accordance with the position of the United States Government stated in a note addressed by the Secretary of State to the Greek Minister at Washington, February 8, 1936.

Accept [etc.]

CORDELL HULL

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868.51 War Credits/719

*Memorandum by the Assistant Chief of the Division of Near Eastern Affairs (Barnes)*

[Extract]

[WASHINGTON,] April 21, 1936.

The Greek Minister called at the Division this morning to explain that an offer by his Government on May 10, 1936, for partial payment of the semi-annual interest due on that date under Part II of the Agreement for the Funding of the Greek Indebtedness to the United States, made May 10, 1929, is dependent on an agreement being arrived at in time between his Government and the League Loans Committee in London, with respect to the percentage of payment to be made on the 1936-1937 coupons of the Greek Stabilization and Refugee Settlement Loan.

The Minister said that negotiations are now under way in London, but that it is impossible to foretell when an agreement will be reached: therefore, should his Government fail to make an offer to the United States on May 10, 1936 it should not be thought by the Department and the Treasury that the Greek Government had gone back on its decision to continue payments under Part II of the Funding Agreement.

The Minister then referred, somewhat heatedly, to the following paragraph in the *New York Times* account (March 31, 1936) of the receipt by the Treasury of the Greek payments on March 26, 1936:

“An effort by the Minister to have the debt regarded in its final settlement as a war obligation and not a private one was rejected by the State Department.”

The Minister characterized the *New York Times* article as a “press release” and said that the dissemination of such statements as the one quoted above is “not helpful.” It was explained to the Minister that the objectionable paragraph was a conclusion drawn by the author of the article and that nothing of the sort had appeared in the Department’s release.<sup>15</sup> This fact, which he reluctantly admitted when shown the Department’s release, failed to console him, as it appears that the Greek press has reproduced the *New York Times* article and has thereby made it appear in Greece that the Minister attempted, without success, to gain a point with the Department, when in reality there were no negotiations with respect to the point in question, but merely a reservation on the part of the two governments concerning their respective positions on the question of whether the 1929 loan is a war debt or a new loan.

868.51 War Credits/720

*The Secretary of State to the Greek Minister (Sicilianos)*

WASHINGTON, June 13, 1936.

SIR: I am requested by the Secretary of the Treasury to transmit to you the enclosed statement<sup>16</sup> showing the amounts due and payable from the Government of Greece on January 1, 1933, July 1, 1933, January 1, 1934, July 1, 1934, January 1, 1935, July 1, 1935, January 1, 1936, and July 1, 1936, pursuant to the terms of Part I of the Debt Agreement of May 10, 1929, and to the terms of the Moratorium Agreement of May 24, 1932,<sup>17</sup> and to request payment thereof either at the Treasury in Washington or at the Federal Reserve Bank of New York.

In presenting this notice of amounts due under Agreements signed by the Greek Government, I take the occasion to reiterate that this Government is fully disposed to discuss, through diplomatic channels, any proposals which your Government may desire to put for-

<sup>15</sup> Dated March 31, 1936, Department of State, *Press Releases*, April 4, 1936, p. 285.

<sup>16</sup> Not printed.

<sup>17</sup> See *Foreign Relations*, 1932, vol. 1, pp. 584, 626-627. For the text of agreement, see *Annual Report of the Secretary of the Treasury*, 1932, p. 291.

ward in regard to the payment of this indebtedness, and to assure you that such proposals would receive careful consideration with a view to eventual submission to the American Congress.

Accept [etc.]

CORDELL HULL

868.51 War Credits/721

*The Greek Minister (Sicilianos) to the Secretary of State*

WASHINGTON, June 16, 1936.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's Note of June 13, 1936, with the enclosed statement of the amounts due by the Greek Government on July 1, 1936, under the terms of Part I of the Debt Agreement of May 10, 1929, and the terms of the Moratorium Agreement of May 24, 1932.

His Hellenic Majesty's Government wish to extend their appreciation for the renewed assurance that the American Government is fully disposed to discuss, through diplomatic channels, any proposals for the settlement of the debts and, as soon as circumstances appear opportune for the resumption of negotiations, His Majesty's Government will be very glad to advise the American Government accordingly.

Accept [etc.]

D. SICILIANOS

868.51 Refugee Loan, 1928/114

*The Secretary of State to the Chargé in Greece (Shantz)*

No. 327

WASHINGTON, September 8, 1936.

The Secretary of State transmits for the attention of the American Chargé d'Affaires a copy of a press notice<sup>18</sup> received under cover of a transmittal slip from the League Loans Committee (London), issued for publication August 22, 1936, containing a recommendation of the (British) Council of Foreign Bondholders and the League Loans Committee that bondholders accept proposals made by the Greek Government to transfer 40 percent of the interest on its external debt for the financial years 1935/6 and 1936/7, on condition that the above-named bondholders' organizations undertake to discuss with the Greek Government the possibility of arriving at a permanent settlement of the service of the Greek external debt.

In view particularly of the terms of Part II of the Agreement made May 10, 1929, for the funding of the Greek indebtedness to the United States, the Chargé d'Affaires is requested to observe and report the development of the execution of the proposals of the Greek Government stated in the enclosure.

<sup>18</sup> Not reprinted.

868.51 War Credits/724

*The Acting Secretary of State to the Greek Minister (Sicilianos)*

WASHINGTON, October 29, 1936.

SIR: At the request of the United States Treasury Department, I have the honor to notify your Government that on October 21, 1936, there was deposited with the Federal Reserve Bank of New York for credit to the account of the Treasurer of the United States, the sum of \$108,960 by the Commission Financiere Internationale for account of the Government of Greece as a partial payment of interest due from that Government to the United States. The Treasury applied \$10,896 of these funds to the payment of an additional 5% of the semiannual interest amounting to \$217,920 due May 10, 1935; \$10,896 to the payment of an additional 5% of the semiannual interest amounting to \$217,920 due November 10, 1935, and \$87,168 to the payment of 40% of the semiannual interest amounting to \$217,920 due May 10, 1936, on the 4% loan of 1929.

Accept [etc.]

WILBUR J. CARR

868.51 War Credits/726

*The Acting Secretary of State to the Greek Minister (Sicilianos)*

WASHINGTON, November 12, 1936.

SIR: At the request of the United States Treasury Department, I have the honor to notify your Government that on November 6, 1936, there was deposited with the Federal Reserve Bank of New York for credit to the account of the Treasurer of the United States, the sum of \$87,168 by the Bank of Greece for account of the Government of Greece as a partial payment of interest due from that Government to the United States. The Treasury applied these funds to the payment of 40 percent of the semiannual interest amounting to \$217,920 due November 10, 1936, on the 4% loan of 1929.

Accept [etc.]

R. WALTON MOORE

**STATUS OF NATURALIZED AMERICANS OF GREEK RACE BORN IN  
TURKEY AND TEMPORARILY RESIDING IN GREECE, REQUIRED TO  
REGISTER AS GREEK CITIZENS BEFORE LEAVING COUNTRY<sup>19</sup>**

130 Hagiperos, Vasilios

*Memorandum by the Assistant to the Legal Adviser (Flournoy)*

[WASHINGTON,] December 24, 1935.

It appears that Vasilios Hagiperos was born in Smyrna, Turkey, May 15, 1888, immigrated to the United States in July, 1912, obtained

<sup>19</sup> See also despatch No. 1111, March 24, from the Minister in Greece, p. 325, and instruction No. 295, May 15, to the Minister in Greece, p. 328.

naturalization as a citizen of the United States, November 18, 1922, and went to Greece in May, 1933, with a passport, No. 144418, issued by the Department, May 8, 1933. In the application upon which the passport just mentioned was issued, he alleged that he was going to Greece to "visit relatives" and intended to return to the United States within two years.

In the application of May 24, 1935, before the Vice Consul at Athens, Greece, for the renewal of his passport, Mr. Hagiperos says that he came to Greece on account of his health and now desires to return to the United States to join his wife and child. From the statement of the Vice Consul at Athens on the reverse side of this application, it appears that Mr. Hagiperos became naturalized as a Greek citizen in September, 1934, by registering in accordance with the provision of Article 141 of Law 4324.<sup>20</sup> In this connection the Vice Consul says:

"He did this for his own convenience because he knew that he would be required by the Greek Government to become naturalized as a Greek citizen before he might leave this country and he desired to be ready to leave the country without being delayed by formalities of this nature."

With reference to the Greek law just mentioned, the Vice Consul calls attention to his report in the case of Constantine Condos, in which the Department held, in an instruction of February 26, 1935,<sup>21</sup> that the person last mentioned had expatriated himself, since it appeared from his affidavit that he had voluntarily acquired Greek nationality, by registering under the law mentioned. With reference to the instant case, however, the Vice Consul says:

"This provision of law provides for the delayed naturalization as Greek citizens of exchangeable persons born in Turkey. Such naturalization often occurs under circumstances amounting to duress but it does not appear that duress actually existed at the time when Mr. Hagiperos became naturalized as a Greek citizen."

Some time ago I expressed the opinion, with reference to the cases of certain naturalized citizens of the United States who had acquired Rumanian nationality, as a result of the transfer of the territory in which they were born to Rumania, that they should not be regarded as having lost their American nationality, under the provision of the first paragraph of Section 2 of the Act of March 2, 1907,<sup>22</sup> by obtaining naturalization in a foreign state, unless their Rumanian nationality had been acquired through a voluntary act on their part. It followed that the minor children of such persons also should not be regarded as having been expatriated through the naturalization of their parents without any voluntary act on the part of the latter.

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<sup>20</sup> See translation of article 141 of law 4324, p. 320.

<sup>21</sup> Not printed.

<sup>22</sup> 34 Stat. 1228.

The Department's instruction of October 16, 1935, to the Consul General at Bucharest<sup>23</sup> concerning the case of Lucretia Russ was in accord with this rule.

The rule just mentioned seems entirely reasonable, but there may be some difficulty in determining its application in particular cases. The case of Vasilios Hagiperos illustrates this. The question is, whether his action in registering as a Greek citizen under the law mentioned in September, 1934, may properly be regarded as voluntary, so that his passport may be renewed, to enable him to return to the United States, notwithstanding the opinion of the Vice Consul that it was not voluntary. After some hesitation, I have initialed the attached instruction,<sup>24</sup> in which the view is expressed that his registration may be regarded as involuntary, because he knew that unless he registered he would not be allowed to leave Greece. In other words, the conclusion has been reached that the fact that he registered some months before he was actually ready to leave Greece is not sufficient to justify the Department in holding that such registration was not made in order that he might be able to leave Greece. The facts in his case, especially the fact that he left his wife and child in the United States when he went to Greece, indicate that he went for a temporary visit, and there is nothing to show that he registered for the purpose of making it possible for him to reside indefinitely in Greece. The action of the Greek authorities in compelling naturalized American citizens of the class mentioned, temporarily residing or sojourning in Greece, to register as Greek nationals before they are allowed to leave Greece seems most unreasonable, and I have accordingly drafted the attached instruction to the Legation at Athens.<sup>25</sup>

R[ICHARD] W. F[LOURNOY]

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130 Hagiperos, Vasilios

*The Secretary of State to the Minister in Greece (MacVeagh)*

No. 257

WASHINGTON, January 16, 1936.

SIR: The Department has received from the Consul General at Athens a number of despatches concerning naturalized citizens of the United States who were born in Turkey of parents of the Greek race and who have been residing temporarily or sojourning in Greece, usually for the purpose of visiting relatives, and who have been compelled by the Greek authorities to register as Greek citizens, under the provision of Article 141 of Law 4324, before being allowed to leave Greece.

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<sup>23</sup> Not printed.

<sup>24</sup> *Post*, p. 318.

<sup>25</sup> *Infra*.

The practice on the part of the Greek officials in compelling persons of the class mentioned to register as Greek citizens, although such persons have gone to Greece for mere sojourn or temporary residence and without the intention of establishing themselves permanently in that country, seems entirely unreasonable. Unless you have already done so, you will please bring this matter to the attention of the appropriate authorities with a view to having this practice stopped.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

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130 Hagiperos, Vasilios

*The Secretary of State to the Consul General at Athens (Morris)*

WASHINGTON, January 16, 1936.

SIR: The Department has received the passport renewal application and affidavit on Form No. 213 which were executed at your office on May 24, 1935, by Vasilios Hagiperos.

It is noted that the officer before whom Mr. Hagiperos executed the above application is satisfied that he complied with the provisions of Article 141 of Law No. 4324 in September, 1934 because he was aware that he would be obliged to do so before he could leave Greece and he desired to be prepared to leave the country without delay. It is also noted that Mr. Hagiperos has a wife and child in the United States and stated that he intended to return to this country within three months.

The Department has been unable to find in its files the text of Article 141 of Law No. 4324 but it understands from comment in the confidential report concerning compulsory military service in Greece, prepared in your office and mailed to the Department on November 19, 1932,<sup>28</sup> that it provides for the registration locally of refugees who are deemed to have acquired Greek nationality basically under the terms of treaties or conventions between Greece and other countries and who had not registered theretofore. However, as it seems evident that an individual of the class referred to is not considered by the Greek authorities as entitled to the rights and privileges of a Greek citizen until his registration pursuant to the law has been accomplished, the Department is of the opinion that an American citizen who voluntarily registers as a Greek citizen may properly be considered to have expatriated himself under the provisions of the first paragraph of Section 2 of the Act of March 2, 1907. The Department would not regard as voluntary the registration of an individual who while making an obviously temporary sojourn in Greece acts to avoid further harassment by local

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<sup>28</sup> Not printed.



Greek officials or who, understanding that he will be obliged to register before he will be permitted to depart from Greece, takes timely action to avoid inconvenience and delay when he is ready to return to this country. On the other hand, one who registers in order to enjoy benefits of Greek citizenship while residing in Greece as, for example, to engage in or to continue to carry on business, to practice a profession or to secure rights of franchise, would be considered to have taken the action voluntarily.

Since Mr. Hagiperos apparently had no other motive for registering as a Greek national than to facilitate his departure from Greece when ready to return to this country, the Department is of the opinion that his action in registering in advance of the time when he undoubtedly would have been obliged to do so may be regarded as involuntary and as not resulting in his expatriation. You are hereby authorized to renew Mr. Hagiperos' passport, making it valid only for travel to the United States.

You will please transmit to the Department the complete text of Article 141 of the Greek Law No. 4324.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

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130 Hagiperos, Vasilios

*The Consul at Athens (Shantz) to the Secretary of State*

ATHENS, April 3, 1936.

[Received April 20.]

SIR: I have the honor to refer to the Department's instruction of January 16, 1936 (File No. 130 Hagiperos, Vasilios), concerning the passport renewal and affidavit on Form 213 which were executed at this office on May 24, 1935, by Vasilios Hagiperos. The Department requested this Consulate General to transmit a complete text of Article 141 of Greek Law 4324.

An accurate translation of the article of law in question is transmitted herewith.

In this connection it is respectfully drawn to the Department's attention that the law of which this article forms a part is one concerned exclusively with the recruitment of the army in Greece, and is in fact the basic law now in force here for military recruitment. As it will be observed, Article 141 concerns registration, in special and regular military registers for refugees, of persons who are deemed to have acquired Greek nationality under the terms of treaties and conventions between Greece and other countries, and who had not been registered theretofore. Mr. Hagiperos, as well as practically all other similar citizenship applicants at this Consulate General, is deemed to have acquired Greek nationality by virtue of Articles 3 and

7 of the Convention Concerning the Exchange of Greek and Turkish Populations, signed at Lausanne on January 30, 1923.<sup>27</sup>

Extensive questioning of numerous applicants at the Consulate General reveals that it is in most cases impossible to determine from official sources whether their actual registration as Greek citizens was effected voluntarily or not. Formal replies to inquiries addressed to Greek authorities in specific cases invariably state that each registration was effected on the basis of an application. It would appear, however, that the persons concerned were in many cases under compulsion to make the application in question, and thus the official statements obtainable bear little weight.

Furthermore, the process of registration evidently varies greatly from one Greek province to another, the principal difference being that in many cases the registration is stated to be based upon the Greek Legal Decree of August 25, 1923, ratifying the Treaty of Lausanne, and in other cases to be based upon Greek Law No. 4324 of February 22, 1930, the basic law at present concerning military recruitment in Greece.

This Consulate General will, of course, carefully follow the Department's opinion as expressed in the last half of the third paragraph of its instruction of January 16, 1936, in determining whether citizenship applicants of this class became registered as Greek citizens voluntarily or involuntarily.

Copies of the Department's instruction of January 16, 1936, have been forwarded to the Consulates at Salonika and Patras for their guidance.

Respectfully yours,

HAROLD SHANTZ

[Enclosure]

*Translation of Article 141 of Greek Law 4324 Entitled "Regarding the Recruitment of the Army" of February 22, 1930*

All registrations which have already been made in the registers of male refugees since the present Act came into force are hereby cancelled, and those so registered under the years of birth 1883 and previously and 1908 and subsequently shall be transferred by the respective Prefect to the regular register for males and under the same years of birth; and those registrations under the years of birth 1884 to 1907 inclusive shall be omitted from the regular registers.

All those persons who did not appear before the boards and councils charged with the compilation of recruiting registers of refugees, because they were serving in the Army during that period, shall be registered by the military recruiting offices, after decisions by the respective Prefects in the regular registers for males of the municipi-

<sup>27</sup> League of Nations Treaty Series, vol. xxxii, p. 75.

pality or community of the place of their settlement, under the years of birth according to which they performed military service.

Any of the refugees who have already acquired Greek nationality by virtue of the conventions and laws provided for in Article 1 of this Act have no right to be included in the registers for males according to the foregoing provisions, either because they had not been registered in the registers of refugees or because they failed to appear before the board set up by the Legal Decree of September 13, 1925, or because they were not serving in the Army. They are obliged to register in the regular registers of the municipality or community of the place of their settlement, in accordance with the provisions of Articles 22 and 23 of Law 3328 regarding the recruitment of soldiers, and the decision then made as to their age is to remain definite.

Those who acquire Greek citizenship in the future by virtue of these same provisions shall be registered in the same regular registers and in the same manner.

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130 Hagiperos, Vasilios

*The Chargé in Greece (Shantz) to the Secretary of State*

No. 1335

ATHENS, September 11, 1936.

[Received October 6.]

SIR: I have the honor to refer to the Department's instruction No. 257, dated January 16, 1936, (file No. 130 Hagiperos, Vasilios), concerning the practice on the part of Greek officials in compelling naturalized citizens of the United States who were born in Turkey of parents of the Greek race and who have been residing temporarily or sojourning in Greece, usually for the purpose of visiting relatives, to register as Greek subjects, under the provisions of Article 141 of Law 4324, before being allowed to leave Greece.

The Legation is now in receipt of a rather curt reply from the Hellenic Ministry of Foreign Affairs to the protest it was instructed to make against this practice. Copies of the Legation's Note, No. 277/36 of June 8, 1936,<sup>28</sup> and of the Ministry's reply (in the original French and in English translation) dated August 20, 1936, are enclosed.

There is likewise enclosed herewith for the Department's information a memorandum<sup>28</sup> summarizing the pertinent provisions of the war treaties and Greek laws supporting, and thus explaining, the attitude of the Hellenic authorities in this matter. The memorandum was prepared by Consul Burton Y. Berry, who is in charge of the citizenship section of the Consulate General in Athens.

Respectfully yours,

HAROLD SHANTZ

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<sup>28</sup> Not printed.

[Enclosure—Translation]

*The Greek Foreign Office to the American Legation*

No. 22046/D/2

ATHENS, August 20, 1936.

Referring to the Note under No. 277/36 of the American Legation the Royal Ministry of Foreign Affairs has the honor to inform the Legation that, in consequence of the laws promulgated for the execution of different international treaties signed since the war, the competent authorities proceed in the performance of their office to the registration of persons having acquired Greek nationality in accordance with the international provisions, without bothering to ascertain whether they have acquired a third nationality, seeing that they did not request the required authorization to acquire a foreign nationality.

The Royal Ministry seizes the opportunity [etc.]

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**PROPOSED CONVENTION BETWEEN THE UNITED STATES AND GREECE  
FOR THE EXEMPTION FROM MILITARY SERVICE OF PERSONS HAV-  
ING DUAL NATIONALITY**

711.684/26

*The Chargé in Greece (Aldridge) to the Secretary of State*

No. 796

ATHENS, August 28, 1935.

[Received September 14.]

SIR: I have the honor to refer to the Convention between the United States and Sweden for the exemption from military service of persons having dual nationality,<sup>29</sup> Treaty Series 890, a copy of which this Legation has recently received from the Department.

The Department may wish to consider the desirability of instructing the Legation to approach the competent Greek authorities with a view to ascertaining whether the Greek Government would be prepared to enter into a similar convention.

While a naturalization Treaty would appear more desirable from the American point of view, it seems not impossible that if this less formidable appearing agreement could be negotiated as a first step, a naturalization Treaty might follow in due course.

I may say in that connection that the Greek official with whom the Legation at present discusses matters pertaining to dual nationality appears to have a far-sighted attitude as regards the mutual advantages to be gained by eliminating vexatious issues of this character. I venture accordingly to suggest that it may not be an inopportune moment

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<sup>29</sup> Signed January 31, 1933, *Foreign Relations*, 1933, vol. II, p. 763.

either to revive negotiations for a nationality Treaty or to propose some modified form of agreement similar to the Convention recently negotiated with Sweden.

Respectfully yours,

CLAYSON W. ALDRIDGE

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711.684/26

*The Secretary of State to the Minister in Greece (MacVeagh)*

No. 256

WASHINGTON, January 14, 1936.

SIR: Reference is made to the Legation's despatch No. 796 of August 28, 1935, in which reference is made to the convention between the United States and Sweden for the exemption from military service of persons having dual nationality, Treaty Series, No. 890, and the suggestion is made that the Department may wish to consider the desirability of instructing the Legation to approach the competent Greek authorities with a view to ascertaining whether the Greek Government would be prepared to enter into a similar convention.

In its instruction No. 210 of December 1, 1928,<sup>30</sup> the Department requested the Legation to propose to the Greek Government agreement upon an article reading as follows:

"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."

The Legation was authorized to add the following proviso to this proposed article if the Greek Government should consider that the term "temporary stay" was too vague and required definition:

"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."

Upon careful examination of its files, the Department is unable to find that the Legation ever submitted any report concerning the presentation of this proposed article to the Greek Foreign Office. The attention of the Legation was concentrated upon negotiations with respect to a treaty of naturalization with the Greek Government, a copy of such a proposed treaty having been sent to the Legation originally with the Department's instruction No. 263 of October 1 [21], 1925,<sup>31</sup> and a second copy<sup>31</sup> having been sent with the Department's instruc-

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<sup>30</sup> See *Foreign Relations*, 1928, vol. I, p. 499, footnote 53.

<sup>31</sup> Not printed.

tion No. 157 of May 2, 1928.<sup>32</sup> It seems possible that as a result of the negotiations concerning this treaty, the Legation found no opportune moment for the presentation of the article proposed in the instruction of December 1, 1928, and failed to report concerning the matter to the Department.

Since the proposal contained in the instruction of December 1, 1928, considerable progress has been made in the direction of establishing a satisfactory principle for the solution of the conflicts arising out of dual nationality. At the Hague Conference for the Codification of International Law, held in March-April, 1930, a Protocol Relating to Military Obligations in Certain Cases of Double Nationality<sup>33</sup> was adopted. It was signed on April 12, 1930, and has been ratified by the United States, Great Britain and Northern Ireland and all parts of the British Empire not separate members of the League of Nations, India, Sweden and El Salvador and adhered to by Brazil and the Union of South Africa. This Government has concluded treaties with Norway (signed November 1, 1930)<sup>34</sup> and Sweden (signed January 31, 1933), relating to exemption from military service of persons having dual nationality, each of which has been ratified by both parties and is in force. The treaty with Norway also provides for exemption from "any other act of allegiance". An article upon this subject is included in the naturalization treaty of April 5, 1932, with Albania,<sup>35</sup> which also has been ratified and is in force.

You are requested to examine the files of the Legation to determine whether any action was ever taken in pursuance of the Department's instruction No. 210 of December 1, 1928, mentioned above. If the article proposed in that instruction was never presented to the Greek Foreign Office, you are authorized to propose to the Foreign Office the negotiation of a treaty to embody the following article as its fundamental provision:

"A person possessing the nationality of both of the High Contracting Parties who habitually resides in the territory of one of them and who is in fact most closely connected with that Party shall not be held liable for military service or other acts of allegiance in the territory of the other Party."

If you find that the article as set forth in the Department's instruction of December 1, 1928, was proposed by the Legation to the Greek Foreign Office you may suggest to it the desirability of renewing the negotiations for the completion of an agreement concerning the subject matter of that article, and offer the above article as a substitute for the one originally proposed.

<sup>32</sup> *Foreign Relations*, 1928, vol. III, p. 29.

<sup>33</sup> *Ibid.*, 1930, vol. I, p. 224.

<sup>34</sup> *Ibid.*, vol. III, p. 713.

<sup>35</sup> *Ibid.*, 1932, vol. II, p. 115.

You may invite the attention of the Foreign Office to the fact that the proposed article is substantially similar to the provisions contained in the treaties concluded by this Government with Sweden and Norway, and to Article IV of the naturalization treaty of April 5, 1932, with Albania. For your information two copies of the treaties of November 1, 1930, with Norway, of January 31, 1933, with Sweden, and of April 5, 1932, with Albania, are enclosed. There is also enclosed a copy of Treaty Information Bulletin No. 15, December, 1930, containing the text of the Protocol Relating to Military Obligations in Certain Cases of Double Nationality. You may also point out to the Foreign Office that the article proposed is substantially similar to the first paragraph of Article I of the Protocol just mentioned, except for the addition of the phrase "or other acts of allegiance".

With reference to the penultimate paragraph of your despatch No. 796 of August 28, 1935, the Department leaves it to the exercise of your judgment and discretion to determine whether, in submitting the above proposal, you should also bring up the question of endeavoring to renew negotiations for the conclusion of a treaty applicable to naturalized citizens as well as to persons born with dual nationality, that is, a treaty similar in scope to the treaty with Albania. It would seem most desirable to have a treaty of this kind, and you may find it expedient to discuss the matter informally with the appropriate officials, bearing in mind the observations contained in the Department's instruction No. 274 of July 2, 1929.<sup>36</sup> If, after discussion of the matter, it seems impossible to reach an agreement concerning the status of naturalized citizens which would be satisfactory to this Government, you may proceed with the negotiation of a treaty relating to persons having dual nationality.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

711.684/27

*The Minister in Greece (MacVeagh) to the Secretary of State*

No. 1111

ATHENS, March 24, 1936.  
[Received April 18.]

SIR: I have the honor to refer to the Department's instruction No. 256 of January 14, 1936, relative to the possibility of negotiating an agreement with the Greek Government which would dispose of problems arising from the conflict between Greek and American nationality laws.

The Legation has given this matter careful study and has reviewed its entire file on the subject from the year 1928. It has also consulted

<sup>36</sup> *Foreign Relations*, 1929, vol. I, p. 462.

with the Consulate General and the present despatch has been prepared in collaboration with that office. Before taking action on the basis of the Department's instruction it is felt that it would be desirable to present the following comments for the Department's consideration. It is believed that the delay incident to this further consultation will not be prejudicial to the Department's purpose inasmuch as the official of the Hellenic Foreign Office to whom reference was made in the Legation's despatch No. 796 of August 28, 1935, as being favorably disposed in this manner is at present absent from the Ministry and it is the Legation's desire, if possible, to deal with him rather than with the official who is at present temporarily taking his place in the Ministry.

Before proceeding further the Legation requests the Department's indulgence to the end that it may in its present despatch reply to the Department's instruction No. 257 of January 16, 1936,<sup>37</sup> as well as to the instruction under reference.

In its instruction No. 257 of January 16, 1936, the Department instructed the Legation, in the event it had not already done so, to make representations regarding the practice on the part of the Greek officials in compelling naturalized American citizens who were born in Turkey of parents of the Greek race and who have been residing temporarily or sojourning in Greece to register as Greek citizens before being allowed to leave Greece. I may state in this connection that the Legation has repeatedly made representations of this character during the past eight years. These representations have for the most part been made in connection with the Legation's representations relative to obligatory military service on the part of naturalized American citizens of Greek origin. It will be recalled that some years ago the question of compulsory military service constituted a serious and vexatious problem which was constantly before the Legation's attention. Under the circumstances the question of compulsory registration, though vexatious also, was of lesser importance. During recent years the Legation's persistent and forceful representations relative to compulsory military service have borne fruit. As the Department knows, the Greek authorities, while preserving the theory of military obligation on the part of naturalized American citizens of certain categories, has agreed that all American citizens of Greek origin may visit Greece for a period of six months without being molested by the military authorities. This has been a practical solution to the problem and, in contrast to the situation which existed in previous years and which necessitated almost daily representations to the Foreign Office, it may be stated that questions relative to compulsory military service now rarely arise.

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<sup>37</sup> *Ante*, p. 317.



With the foregoing background in mind it seems pertinent to add that whatever theory the competent Greek officials may preserve as regards obligatory registration, the exemption for six months from military service in effect results in a similar exemption as regards the matter of registration. It would appear therefore that the object toward which the Department's instruction No. 257 of January 16, 1936, was directed has already been achieved, but upon the limited basis of a six-months period of time. The Legation suggests therefore that instead of making representations of a general nature on this matter it might be desirable to seek to come to an arrangement whereby the present period of grace would be extended in conformity with the Department's purposes. It would appear to the Legation that the most feasible method of approach to this end would be to propose the negotiation of a treaty (or of an agreement of a less formal nature) which would contain the article set forth on page 3 of the Department's instruction No. 256 of January 14, 1936. That article, it will be recalled, reads as follows:

"A person possessing the nationality of both of the High Contracting Parties who habitually resides in the territory of one of them and who is in fact most closely connected with that Party shall not be held liable for military service or other acts of allegiance in the territory of the other Party."

The phrase "other acts of allegiance" would, it is believed, satisfactorily eliminate the vexatious question of compulsory registration. The Legation feels in this connection that instead of making direct representations regarding compulsory registration which is a matter that has been at issue for many years, it would be desirable to approach the problem by inquiring if the competent authorities would be prepared to negotiate an agreement containing the article quoted above. For the Department's information I may add at this point that the article contained in the Department's instruction No. 210 of December 10 [1], 1928,<sup>37a</sup> was in fact proposed to the Hellenic Ministry for Foreign Affairs but that it was without favorable result. As indicated in the Legation's despatch No. 798 [796] of August 28, 1935, it is the Legation's hope that it may now be possible to come to an understanding with the competent officials in Greece through a less formal and complicated instrument than a naturalization treaty and that a naturalization treaty might follow in due course.

Referring to the last paragraph of the Department's instruction No. 256 of January 14, 1936, the Legation ventures to express the belief that it would not be desirable at the present time to raise the question even informally of a naturalization treaty similar in scope to the Treaty with Albania. It is believed also that no useful purpose would

<sup>37a</sup> See *Foreign Relations*, 1928, vol. 1, p. 499, footnote 53.

be served by referring to the "Protocol Relating to Military Obligations in Certain Cases of Double Nationality" signed at the Hague Conference for the Codification of International Law, held in March-April, 1930. It is presumed from the Department's instruction that the Greek Government has not seen fit to ratify the protocol in question and it would therefore seem desirable to make a completely fresh start in the matter.

There is one further aspect of this matter which it is believed deserves consideration, namely, the desirability of including a time limit similar to that included in paragraph 2 of Article 1 of the Treaty between the United States of America and Norway but adapted to Greek conditions, as hereinafter explained. As understood by the Legation this would be to the Department's own interests. Without such a time limit the Legation might feel itself called upon to prevent the Greek authorities from imposing Greek registration upon an individual to whom American passport facilities might subsequently be denied by reason of the presumption that he had ceased to be an American citizen. It is realized, of course, that the Department may have specific reasons for withholding the authorization previously given in its instruction No. 210 of December 10 [1], 1928, to propose a time limit proviso. As the Legation sees the particular situation in Greece, however, the inclusion of such a proviso would eliminate a fertile source of misunderstanding and at the same time make the Legation's contemplated negotiations with the Greek authorities more acceptable to them.

Should a time limit proviso be agreed upon it should, of course, in view of the Act of March 2, 1907,<sup>38</sup> cover both the cases of naturalized American citizens born in Greece and those of such citizens born in Turkey of parents of the Greek race, as the former individuals are allowed to remain two years in Greece and the latter five before the presumption of expatriation arises. I may state in this connection that according to the estimate of the Consulate General only about one in twenty cases which arise in connection with compulsory registration relates to individuals of the second category, but that this one case is likely to prove more troublesome than all the others.

Respectfully yours,

LINCOLN MACVEAGH

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711.684/27

*The Secretary of State to the Minister in Greece (MacVeagh)*

No. 295

WASHINGTON, May 15, 1936.

SIR: Reference is made to your despatch No. 1111 of March 24, 1936, sent in reply to the Department's instruction No. 256 of Janu-

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<sup>38</sup> 34 Stat. 1228.

ary 14, 1936, relative to the possibility of negotiating an agreement with the Greek Government concerning exemption from military service and other acts of allegiance of persons having dual nationality. You also replied in this despatch to the Department's instruction No. 257 of January 16, 1936, concerning the case of Vasilios Hagiperos, in which you were requested to make representations regarding the practice on the part of the Greek Government of compelling naturalized American citizens who were born in Turkey of parents of the Greek race and have been residing temporarily or sojourning in Greece to register as Greek citizens before being allowed to leave Greece.

With reference to the instruction in the case of Vasilios Hagiperos, you direct the attention of the Department to the agreement of the Greek Government that all American citizens of Greek origin may visit Greece for a period of six months without being molested by the military authorities, and you state that this exemption in effect results in a similar exemption as regards the matter of registration. You suggest that instead of making representations of a general nature with respect to the matter of registration, the solution of this question be sought through an effort to obtain the consent of the Greek Government to the conclusion of a convention along the lines indicated in the Department's instruction of January 14, 1936.

Your attention is invited to the fact that the reference in the proposed treaty to persons possessing the nationality of both of the High Contracting Parties is intended to include only persons acquiring such dual nationality at birth. It is not designed to cover the cases of naturalized American citizens of Greek origin who are still regarded by the Greek Government as having Greek citizenship. The Department would not object, of course, if the Greek Government should extend the exemptions provided in the proposed treaty to such naturalized citizens, but this Government could not invoke the treaty on their behalf. You are undoubtedly familiar with the position consistently adhered to by this Government that naturalization in the United States should be regarded as involving the loss of the alien's former citizenship, and that he cannot thereafter properly be claimed by his country of origin as having retained the nationality thereof. It may be true that such a person in fact retains the nationality of his country of origin, since the question whether a person is a national of a given country depends upon the law of that country. But, while he may in fact have dual nationality, it is the policy of this Government to avoid expressions which appear to concede the rightfulness of the claim of the foreign government to his allegiance. In taking up the proposed treaty relating to dual nationality with the Greek Foreign Office, you should therefore avoid intimating in any way that the Department regards it as applicable to naturalized citizens.

As you express the belief in your despatch that it would not be desirable at the present time to raise the question, even informally, of a naturalization treaty similar in scope to the treaty with Albania, it is considered desirable, in the light of the discussion set forth in the preceding paragraph, that you make the representations called for in the instruction of January 16, 1936, in the case of Vasilios Hagiperos.

For the reasons mentioned you are authorized to proceed with the proposal to the Greek Government of the completion of a convention embodying as its fundamental provision the article quoted on page 3 of the Department's instruction of January 14, 1936. The Department leaves to your discretion the determination of the most appropriate time for presenting this proposal.

The Department concurs in your views concerning the desirability of including a time limit proviso, and desires that you include such a proviso identical in terms with that contained in paragraph 2 of Article 1 of the treaty of November 1, 1930, between the United States and Norway, a copy of which was enclosed with the Department's instruction of January 14, 1936. With reference to the discussion in the last paragraph of your despatch of the necessity of covering in such a proviso the cases of naturalized American citizens born in Turkey of parents of the Greek race, your attention is invited to the discussion set forth above of the non-applicability of the proposed treaty to naturalized citizens.

With reference to your discussion of the last paragraph of the Department's instruction of January 14, 1936, you may, in your discretion, in taking this matter up with the Greek Foreign Office omit any reference to the possible renewal of negotiations for the conclusion of a treaty applicable to naturalized citizens as well as to persons born with dual nationality, that is, a treaty similar in scope to the treaty with Albania. You may also, if you consider it advisable, omit any reference to the "Protocol Relating to Military Obligations in Certain Cases of Double Nationality" signed at the Hague Conference for the Codification of International Law held in March-April, 1930.

Very truly yours,

For the Secretary of State:

WILBUR J. CARR

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711.684/29

*The Secretary of State to the Minister in Greece (MacVeagh)*

No. 308

WASHINGTON, July 2, 1936.

SIR: Reference is made to your despatch No. 1208 of June 12, 1936,<sup>39</sup> stating that the Legation is prepared to propose to the Greek Govern-

<sup>39</sup> Not printed.

ment the negotiation of a treaty embodying the following article as its fundamental provision, after receiving the approval of the Department:

“A person possessing the nationality of both the High Contracting Parties who habitually resides in the territory of one of them and who is in fact most closely connected with that Party shall not be held liable for military service or other acts of allegiance during a temporary stay in the territory of the other Party.

“Provided, that, if such stay is protracted beyond a period of two years, it shall be presumed to be permanent, in the absence of sufficient evidence showing that return to the territory of the other Party will take place within a short time.”

You state that you are submitting the proposed draft to the Department for approval, as the above text differs from that authorized by the Department's instructions No. 295 of May 15, 1936 and No. 256 of January 14, 1936, by the inclusion of the phrase “during a temporary stay” in the last sentence of the first paragraph. You further state that these words appear to have been inadvertently omitted from the article as quoted on page three of the Department's instruction of January 14, 1936.

The draft of the article as quoted in your despatch is approved. It may be observed that the draft of the article, as quoted on page three of the Department's instruction of January 14, 1936, was based essentially on Article I of the treaty of January 31, 1933, with Sweden (treaty series No. 890), and that this treaty does not include the phrase “during a temporary stay” as the fact of the stay being temporary is implicit in the context of the article considered as a whole. The phrase “during a temporary stay” is used in Article I of the treaty of November 1, 1930, with Norway (treaty series No. 832), and as it is more explicit, the Department approves its inclusion in the draft of the article to be proposed to the Greek Government.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

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[In despatch No. 1787, July 23, 1937, the Minister in Greece explained that he did not proceed further with these proposals because of the political changes within Greece and the establishment of the Metaxas dictatorship. Because of the attitude of the new Government, he felt that the treaty proposals would find very little chance of acceptance. (711.684/30)]

**REFUSAL BY THE UNITED STATES TO CONCLUDE AN AGREEMENT  
WITH GREECE FOR THE RECIPROCAL RECOGNITION OF IDENTIFI-  
CATION CARDS HELD BY SEAMEN**

711.689 Seamen/1

*The Greek Minister (Sicilianos) to the Secretary of State*

No. 321

The Minister of Greece presents his compliments to His Excellency the Secretary of State and has the honor to suggest that an agreement be concluded between the United States of America and Greece for the reciprocal recognition of identification cards held by seamen instead of passports.

The Greek Government are of the opinion that an agreement of this nature would be very useful, and if the American Government acceded to such a proposal, the main provisions should incorporate the following:

(a) When the holder of the identification card desires to land in one of the ports of the other country in order to accept employment by contract on board a ship in a port of the country;

(b) When he lands for shore leave during the time his ship is in the harbor;

(c) In the case of his repatriation when his card should show that he is released for repatriation, mentioning his nationality. In this case the card should bear the signature and photograph of the holder, duly stamped.

The agreement may be concluded by the exchange of notes.

The Minister of Greece wishes to add that such provisions are included in agreements between his Government, Great Britain,<sup>40</sup> France and Turkey. He would highly appreciate if His Excellency the Secretary of State advised him of his views on the matter.

WASHINGTON, March 6, 1936.

711.689 Seamen/6

*The Deputy Commissioner, Immigration and Naturalization Service,  
Department of Labor (Shaughnessy) to the Secretary of State*

WASHINGTON, April 22, 1936.

MY DEAR MR. SECRETARY: I have the honor to acknowledge receipt of your letter received on the 20th ultimo, without date,<sup>41</sup> reference NE 711.689 Seamen/1, enclosing copy of a note from the Greek Lega-

<sup>40</sup> For text of exchange of notes between Greece and Great Britain, signed at London, April 13 and 21, 1933, see League of Nations Treaty Series, vol. cxi, p. 133.

<sup>41</sup> Letter of March 18, not printed.

tion in which it is proposed that this Government and the Greek Government enter into an agreement for the reciprocal recognition of seamen's identification cards. You request the views of this Department with respect to this proposal.

In the opinion of this Department, it is not deemed advisable that this Government enter into such an agreement. Under existing regulations, Greek seamen, as well as all other alien seamen, arriving at a port in the United States, sent forward by the owners to join a foreign vessel in such port as members of the crew, may be admitted without passports if traveling on a group transit certificate as provided in Note 68 to Section 361 of the Consular Regulations. It is very seldom that individual seamen are sent to the United States for the purpose of joining a foreign vessel. As passports are not required of alien seamen who are granted shore leave in American ports, this Department can not see, therefore, just what purpose would be served by an identification card as proposed by the Greek Legation.

I might add, for your confidential information, that our officers at seaports of entry have reported a marked increase in the number of Greek seamen deserting upon arrival. It is believed that the issuance of identification cards to seamen would increase, rather than decrease, these illegal entries, as many of them undoubtedly, through some means or another, would come into the hands of unauthorized persons and would be used for the purpose of effecting the fraudulent entry of aliens into this country.

Respectfully,

EDW. J. SHAUGHNESSY

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711.689 Seamen/7

*The Secretary of State to the Greek Minister (Sicilianos)*

The Secretary of State presents his compliments to the Honorable the Minister of Greece and, with further reference to the Minister's note No. 321, of March 6, 1936, in which it was proposed that the Government of the United States and the Government of Greece enter into an agreement for the reciprocal recognition of seamen's identification cards, has the honor to inform the Minister as follows:

Under existing regulations, Greek seamen, as well as all other alien seamen, arriving at a port in the United States, sent forward by the owners to join a foreign vessel in such port as members of the crew, may be admitted into the United States without passports if traveling on a group transit certificate issued by an American consular officer. It is very seldom that individual seamen are sent to the United States for the purpose of joining a foreign vessel. Passports are not required of alien seamen who are granted shore leave.

In view of the foregoing, the competent authorities of the Government of the United States are not aware of any need for such an agreement as has been proposed. However, should the Greek Government desire to submit observations with respect to its understanding of the need for an agreement of the nature suggested, the Secretary of State will be glad to request that further consideration be given to the matter by these authorities.<sup>42</sup>

WASHINGTON, May 8, 1936.

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<sup>42</sup> The Greek Minister renewed his proposals in a note dated December 14, 1937, but the Secretary of State in his reply of January 25, 1938, again refused to enter into such an agreement (711.689 Seamen/8, 12).



## HUNGARY

### PROPRIETY OF UNITED STATES PARTICIPATION AT THE DEDICATION OF A STATUE TO GENERAL BANDHOLTZ, FORMER AMERICAN COM- MISSIONER IN HUNGARY

864.413 Bandholtz/3 : Telegram

*The Secretary of State to the Minister in Hungary (Montgomery)*

WASHINGTON, March 23, 1936—4 p. m.

7. The Rumanian Minister<sup>1</sup> has informed the Department that his Government is considerably disturbed over the proposed erection in Budapest by American donors of a statue of General Bandholtz<sup>2</sup> commemorating the General's activities in connection with the alleged intention of the Rumanians to loot the Royal Hungarian Museum during the occupation of Budapest by their troops. The Rumanian Government is particularly disturbed by the report that the statue is to be placed before the entrance to the Museum and that it will depict the General in a defiant attitude brandishing a riding whip.

The Department is most anxious that the matter of participation by the Legation in the unveiling ceremony, which is said to be planned for July 4, be handled in such a way as to avoid giving offense either to the Hungarian or to the Rumanian Government. The Department considers that if the ceremony is being arranged as an unofficial affair you should avoid being present or represented. If, however, the Hungarian Government gives an official character to the unveiling and invites you officially to be present, you should find some excuse to be absent from Budapest and represented by a member of your staff. Any representative of the Legation should be careful not to take an active part in the ceremony and under no circumstances should he make any remarks.

Please keep Department informed of developments by telegraph.

HULL

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<sup>1</sup> Charles A. Davila.

<sup>2</sup> Harry Hill Bandholtz, American Commissioner on the Interallied Military Mission in Hungary, 1919-20. For reports of the Bandholtz Mission to Hungary, see *Foreign Relations*, The Paris Peace Conference, 1919, vol. XII, pp. 635 ff.

864.413 Bandholtz/5: Telegram (part air)

*The Minister in Hungary (Montgomery) to the Secretary of State*

BUDAPEST, March 27, 1936—1 p. m.

[Received March 30—6:15 a. m.]

14. Department's 7, March 23, 4 p. m. Statue fostered by Hungarian-Americans and money was raised in the United States, City of Budapest providing site which has not yet been selected. Statue shows General in uniform holding crop in both hands behind him and not in a defiant attitude. Ceremony will be unofficial but Regent<sup>3</sup> and other high Government officials are expected to be present.

As I have been asked to speak, any excuse except compulsory absence in United States would give offense, and I therefore propose to say that my Government has instructed me to be in Washington not later than June 15th, and thus depart for my authorized leave prior to date on which monument could be completed and unveiled, date of unveiling not being definitely determined.

However, unconditional refusal to have Legation even represented at unofficial ceremony for unveiling of statue to an American military officer of high rank will no doubt offend Hungarians and might expose us to criticism and even ridicule on the part of the Hungarian press and public, who feel they are merely honoring a friend. Chairman of the Committee<sup>4</sup> and the Minister of Public Instruction<sup>5</sup> have assured me that great care is being taken to do or say nothing that could reasonably offend Rumania.

MONTGOMERY

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864.413 Bandholtz/9: Telegram

*The Secretary of State to the Minister in Hungary (Montgomery)*

WASHINGTON, March 31, 1936—4 p. m.

10. Your 14, March 27, 1 p. m. The Department approves your proposal to be absent on leave in the United States at the time of the ceremony and desires to thank you for your cooperation in this respect.

It is recognized that if the ceremony is attended by the Regent and other high officials it will be necessary for the Legation to be represented, but remarks should be avoided.

HULL

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<sup>3</sup> Admiral Nicholas Horthy de Nagybánya.

<sup>4</sup> Baron Zsigmond Perényi.

<sup>5</sup> Bálint Hóman.

868.413 Bandholtz/17: Telegram (part air)

*The Chargé in Hungary (Stewart) to the Secretary of State*

BUDAPEST, July 17, 1936—noon.

[Received July 20—9:45 a. m.]

30. Department's telegram No. 7, March 23, 4 p. m., and subsequent correspondence. I informed Baron Perényi yesterday that I would attend unveiling August 23, but would not deliver an address. He was disappointed but understood situation. and said he would probably communicate with Hungarian Minister in Washington<sup>6</sup> to enlist his aid in obtaining an American speaker, as committee feels that bad impression would be created in Hungary and the United States if no American participates in program. Committee intends sending invitations to ceremony to the War Department and members of Congress through Dern<sup>7</sup> and McReynolds.<sup>8</sup>

STEWART

868.413 Bandholtz/19: Telegram (part air)

*The Chargé in Hungary (Stewart) to the Secretary of State*

BUDAPEST, August 7, 1936—5 p. m.

[Received August 10—9:05 a. m.]

31. Department's cable 10, March 31, 4 p. m. It is becoming increasingly difficult to hold too much aloof without offending Hungarian sensibilities. Several wreaths are to be placed. Therefore, Haven [*having?*] consulted with Ambassador MacMurray<sup>9</sup> passing through here on leave, I offer the suggestion that I be authorized to accompany the deposit of a wreath with some such words as the following:<sup>10</sup>

"I deem it an honor to deposit a wreath before this statue—a generous tribute from the Hungarian people to a fellow countryman of mine. He came to this country in the aftermath of war and remained to become a cherished friend."

This development of a suggestion from the Hungarian side would tend to dissociate the whole affair from any implication or reflection upon the Rumanians.

STEWART

<sup>6</sup> John Pelényi.

<sup>7</sup> George H. Dern, Secretary of War.

<sup>8</sup> Sam D. McReynolds, Chairman of the Foreign Affairs Committee of the House of Representatives.

<sup>9</sup> John Van Antwerp MacMurray, American Ambassador in Turkey.

<sup>10</sup> The Department approved this suggestion in its telegram No. 18, August 12, 5 p. m. (864.413 Bandholtz/20).

864.413 Bandholtz/21

*The Chargé in Hungary (Stewart) to the Secretary of State*

[Extracts]

No. 449

BUDAPEST, August 26, 1936.

[Received September 8.]

SIR: I have the honor to refer to the Department's telegram No. 18 of August 12, 5 p. m.,<sup>11</sup> and to previous correspondence concerning the unveiling of a statue in Budapest to the late General Harry Hill Bandholtz, and to inform the Department that, accompanied by Mrs. Stewart and Secretary of Legation Garret G. Ackerson, Jr., I attended the unveiling ceremony which took place in Szabadság tér at 11:00 a. m., August 23rd.

[A description of a part of the dedication ceremony and addresses is here omitted.]

I then deposited a wreath and made the following remarks:

"I deem it a great honor to place a wreath before this statue—a generous tribute from the Hungarian people to a fellow-countryman of mine.

"General Bandholtz was a brave soldier and had an honorable record throughout his long career. As a young man he graduated from the United States Military Academy, and a few years later took a leading part in the Philippine Insurrection campaign, first as a soldier and later as an administrator.

"After serving with distinction in the World War, General Bandholtz came to this country in 1919 and remained to become a cherished friend of the Hungarian people."

The ceremony was most impressive and dignified and was witnessed by fully 2000 people. The Hungarian and American national anthems were played at the beginning of the ceremony, which ended with the playing of another Hungarian national hymn.

Facing the back of the bronze statue one sees the names of those who contributed to the cost of the statue carved in the stone base, and on the front of the base there is carved:

"I simply carried out the instructions of my Government as I understood them as an officer and gentleman of the United States Army.

Harry Hill Bandholtz"

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<sup>11</sup> Not printed.

This sentence is a quotation from a letter which General Bandholtz wrote to a Hungarian-American in New York.

Many photographs taken at the ceremony have been published in the illustrated supplements of the local press, and long articles have been written regarding General Bandholtz all expressing praise and gratitude.

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Respectfully yours, JAMES B. STEWART

## ITALY

### SUSPENSION OF TRADE AGREEMENT DISCUSSIONS WITH ITALY; NEGOTIATIONS RESPECTING A NEW TREATY OF FRIENDSHIP, COM- MERCE AND NAVIGATION; DENUNCIATION OF TREATY OF 1871<sup>1</sup>

611.6531/295a : Telegram

*The Secretary of State to the Ambassador in Italy (Long)*

WASHINGTON, January 4, 1936—3 p. m.

1. Department's instruction of November 14th last,<sup>2</sup> with the accompanying memoranda of conversations with the Italian Ambassador.

Rosso called yesterday afternoon and left an informal memorandum reading as follows:

"My Government, being confident that the United States Government will accept to reconsider the advisability of a prompt opening of negotiations for the conclusion of a Trade Agreement, has reconsidered on his own part the question concerning the American point of view with regard to the principle of the equality of treatment.

I have now been instructed to inform Assistant Secretary Mr. Sayre that the Italian Government is willing to envisage an agreement formally and actually based on the most favoured nation treatment, with the usual exception of Cuba on the American side and similar exceptions concerning Albania and some neighbouring States of the Danubian region on the Italian side.

In order to prepare the way towards formal negotiations, the Italian Government deems it advisable to send to Washington some of its experts, who would be entrusted with the task of giving the American Government every information as to the Italian purposes and intentions."

Rosso was informed that this proposal would receive consideration and that we would communicate our views to him at an early date. The nature of the conversation was such that he was given every indication that our reply will be in the negative. He was, moreover, informed that we assumed that the Italian Government would not send an expert, or experts, to Washington pending the receipt of our reply to the present proposal.

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<sup>1</sup> For previous correspondence respecting trade between the United States and Italy, see *Foreign Relations*, 1935, vol. II, pp. 517 ff.

<sup>2</sup> Not printed. For text of memorandum of November 6, 1935, which it transmitted, see *ibid.*, p. 543.

We consider it desirable that you informally advise the appropriate authorities that Rosso's proposal is receiving consideration and that you emphasize our request that pending our reply no steps be taken to send experts to this country.

HULL

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611.6531/296 : Telegram

*The Ambassador in Italy (Long) to the Secretary of State*

ROME, January 6, 1936—11 a. m.  
[Received January 6—9:20 a. m.]

8. Your No. 1, January 4, 3 p. m. I have done as instructed in last paragraph. Mr. Suvich<sup>3</sup> said he had also received a cable from Rosso in that sense.

LONG

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611.6531/299

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] January 15, 1936.

Mr. Sayre asked me to come to his office this morning when he received the Italian Ambassador and handed to him the original of a statement, a copy of which is hereto attached,<sup>4</sup> informing the Ambassador definitely that it was the conviction of this Government that consideration of negotiations for an American-Italian trade agreement should be suspended for the present.

The Ambassador stated that he had expected to be informed along these lines and had so notified his Government as a result of his last conversation with Mr. Sayre on the subject. He said further that he had drawn some comfort from a remark made by Mr. Hickerson<sup>5</sup> during the last conversation which was held on the subject in Mr. Sayre's office to the effect that the American Government did not contemplate making any change in its present policy of extending the most-favored-nation treatment to Italian trade and asked Mr. Sayre if that was still the intention of this Government. Mr. Sayre replied that we had no intention of making any change in the treatment of Italian products at this time. When Mr. Rosso inquired what Mr.

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<sup>3</sup>Fulvio Suvich, Under Secretary of State in Italian Ministry for Foreign Affairs.

<sup>4</sup>*Infra.*

<sup>5</sup>John D. Hickerson, Assistant Chief of the Division of Western European Affairs.

Sayre meant by "at this time", Mr. Sayre explained that our policy was to extend the most-favored-nation treatment to those countries who were not discriminating against American trade and that as the Ambassador at the previous interview had stated that Italy was not discriminating against American goods, if such were the case, there would be no occasion to change our treatment of Italian goods.

The Ambassador inquired as to the particular American products or commodities the treatment of which by Italy had up to a short time ago given rise to the charge in this country that our goods were being discriminated against as far as concerned their entry into Italy. Mr. Sayre stated that he would be able to furnish specific instances of such discrimination as it had been practised in the past, if the Ambassador so desired. The Ambassador said that it might be helpful if the question were to arise to have specific instances which he might report to his Government.

The Ambassador then went on to explain that measures which might have had the effect of discriminating against American goods had been put into effect in Italy during the recent period of economic tension just prior to the beginning of the present war situation as a result of economic and financial necessity and also because of pressure brought to bear upon Italy by England and other nations in an effort to obtain a balance of trade. Mr. Sayre thereupon explained the purpose and intent of our present effort to bring about a reduction of obstructions and impediments in international trade, with the principles of which the Ambassador expressed his entire agreement.

JAMES CLEMENT DUNN

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611.6531/299

*The Assistant Secretary of State (Sayre) to the Italian Ambassador (Rosso)*<sup>a</sup>

As I told you on the occasion of your last visit on January 3, careful consideration has been given to the inquiry which was made by your Government in the informal memorandum which you left with me. I have no doubt that you can anticipate my reply, but in giving it to you I wish to assure you that the new consideration which has been given to this matter confirms my opinion that it would serve no useful purpose for your Government to send experts to this country in order to carry out the objects indicated in your memorandum.

I feel that at this juncture we must look at facts realistically and recognize that in view of existing circumstances it would seem advisable to suspend at this time further consideration of trade agreement negotiations.

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<sup>a</sup> Handed to the Italian Ambassador by Mr. Sayre on January 15, 1936.



611.6531/309

*Memorandum by the Assistant Secretary of State (Sayre)*

[WASHINGTON,] July 21, 1936.

The Italian Ambassador called to say good-by and to have a last few words before he left about the commercial relations between our two countries. After various pleasant remarks, he inquired about the chances of going forward with a trade agreement. I answered that it did not seem possible as yet to formulate a definite program. I said that during the next few months, when the campaign is at its height, we would be very busily engaged in preparing statistics and studies showing the actual effect of our trade agreements to date, and that during the winter months we would be quite busy in going to Congress to secure a reenactment of the present Trade Agreements Act<sup>7</sup> which expires next June. I said that the result of the election next November would have a material bearing on our trade agreement activities and that until those results are known we cannot wisely plan our program of activity. In other words, I said to the Ambassador that we were not in a position at this time to say when we would be ready to enter into more active negotiations with Italy.

I went on to say that when the time came to discuss the continuance of negotiations for a trade agreement the vital problem, to my mind, would be how to find a formula which would enable the two countries to negotiate a successful trade agreement in view of the conditions and regime existing in Italy and in view of the United States policy of negotiating only on a basis of equality of treatment. I explained again, as we have several times before, that the United States is convinced that the only way of preventing economic chaos throughout the world is through a world-wide program of trading based upon equality of treatment and that if the system of trading in preferences and discriminations prevails no hope lies ahead. I said that naturally the United States could not, under any conditions, abandon the program of equality of treatment for which it is fighting. The Ambassador said that he quite understood. I said that the primary problem which we would have to face in negotiating a trade agreement is not unlike the problem which we are facing today *vis-à-vis* Germany; that Italy is pursuing a policy which has many resemblances to the German policy, and that a successful trade agreement between Italy and the United States would depend upon Italy's finding a way to grant to the United States equality of treatment not only with respect to tariff rates but also with respect to quota restrictions and particularly with respect to allocations of foreign exchange.

In connection with the general matter of commercial and other relationships, I also mentioned the fact that in my own personal opinion

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<sup>7</sup> Approved June 12, 1934; 48 Stat. 943.

the existing treaty of 1871 between Italy and the United States<sup>8</sup> no longer meets present conditions and requirements and that, in view of the greatly changed conditions, the two Governments ought to consider negotiating a more modern treaty which would better serve present day needs. I raised the question whether the two Governments should not give serious consideration to such a revision, and suggested that this was a matter which I hoped might be looked into when Mr. Suvich reaches Washington<sup>9</sup> and Mr. Phillips reaches Rome in the fall.<sup>10</sup> Mr. Rosso raised no objection to this idea. The Ambassador then bade me a warm good-by and we parted with warm wishes on both sides.

F. B. SAYRE

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711.652/65a

*The Secretary of State to the Ambassador in Italy (Phillips)*<sup>11</sup>

WASHINGTON, September 8, 1936.

SIR: There is enclosed herewith the draft text of a proposed treaty of friendship, commerce and navigation between the United States and Italy.<sup>12</sup> It is requested that, after you have presented your credentials to the Italian Government and assumed your post, you take advantage of an early opportunity to communicate this text to the appropriate official of the Foreign Office with a statement setting forth the desire of this Government that it be accepted and that it replace the existing treaty of commerce and navigation between the two countries, concluded February 26, 1871, as amended in respect of Article III thereof by the treaty signed February 25, 1913.<sup>13</sup>

Before taking up the new treaty, however, it is desired, unless you find some serious reason for avoiding such procedure, that the required time for notice of termination of the treaty of 1871 should begin to run without further delay. Indeed, as you are well aware, the termination of the old treaty is the central theme in the Department's policy in this matter, rather than the conclusion of the new treaty, though of course a new and adequate treaty is genuinely important from the point of view of protecting American interests and building up international trade.

<sup>8</sup>Treaty of Commerce and Navigation concluded February 26, 1871, William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1776-1909* (Washington, Government Printing Office, 1910), vol. I, p. 969.

<sup>9</sup>Signor Suvich was received as Italian Ambassador to the United States, October 20, 1936.

<sup>10</sup>William Phillips, accredited to Italy as Ambassador August 4, 1936.

<sup>11</sup>Delivered on board S. S. *Manhattan*, New York City, to William Phillips, en route to Italy to assume his new post as Ambassador.

<sup>12</sup>No enclosures attached to file copy of this document.

<sup>13</sup>*Foreign Relations*, 1913, p. 611.

The Department is impressed with the desirability of at once approaching the Italian Government with a proposal that the two Governments subscribe to a joint declaration that the treaty of 1871 shall terminate on a date to be agreed upon, not more than a year from the present month. The Department feels that you may appropriately give the Italian Government to realize that a refusal on its part to join in such a statement will promptly result in unilateral notice of termination on the part of the United States. The Department hopes you will perceive no obstacles to the course just outlined.

The treaty of 1871 is clearly obsolete. The economic life and conditions of the respective countries and of the world at large have changed fundamentally. Not only is the existing treaty obviously inadequate to govern the economic relations between the United States and Italy today, but actual instances of its inadequacy have arisen and tend to multiply. There would seem to be no necessity, after a lapse of sixty-five years, to argue the question whether a new treaty is needed by two advanced commercial and industrial states.

As you are well aware from your study and discussion of this subject in the Department, there are two particular reasons why this Government desires the termination of the treaty of 1871.

In the first place, notwithstanding the provisions of that treaty for most-favored-nation treatment, the commerce of the United States is now being discriminated against in ways that are definitely harmful to Americans who desire to trade with Italians. Since the most-favored-nation clause remains legally in effect, this Government feels restrained from denying to Italy, as would otherwise be appropriate under the Trade Agreements Act (Act of June 12, 1934 to amend the Tariff Act of 1930<sup>14</sup>), the reductions in its import duties which are being effected by successive trade agreements with various countries. Needless to say, this Government would greatly prefer not to withhold from Italy equality in its customs houses, but it wishes to be free to use all reasonable weapons to combat what it regards as flagrant treatment of its people's commerce in Italy. It desires a treaty containing a most-favored-nation section, such as the articles bearing on the subject in the draft text transmitted herewith, which it can count upon to bind Italy to accord treatment to American commerce that is reciprocally equal and comparable to the treatment it wishes to continue to accord to the commerce of Italy.

In the second place, this Government, in the pursuit of its program of maintaining peace in the world and of protecting its people, as far as possible, from being drawn into war, desires entire freedom to prohibit trade in the implements of war and, in war time, to prohibit any trade that might prolong the continuance of war. In view of the fact that, under the treaty of 1871, it may not be in a position fully

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<sup>14</sup> For Tariff Act of 1930, see 46 Stat. 590.

to carry out such a policy in respect of Italy, though Italy be a warring power, without likewise invoking prohibitions in respect of all other powers, though all but one of them be at peace and all of them be peaceably inclined, this Government desires to replace the treaty of 1871 by a treaty drafted with this vital matter kept constantly in mind.

Naturally this Government would prefer to have a new treaty come into force at the instant the old treaty terminates. But more than a year may elapse before a new treaty is negotiated and ratified. The Italian Government may prolong negotiations unnecessarily or, having signed a treaty, delay ratification. Controversies may occur respecting the approval of the treaty here. Accordingly, there seem to be vital reasons for arranging that the time necessary for notice of termination begin to run in the very near future. Earnest endeavor should be made to complete the new treaty within the year. Knowledge of the impending termination may afford a touch of realism useful in obtaining expeditious consideration of this subject by the Italian Government.

The accompanying draft follows lines with which you are familiar. Beginning with the treaty of December 8, 1923, with Germany, this Government has entered into a series of treaties of friendship, commerce and consular rights with Austria, Estonia, Finland, Honduras, Hungary, Latvia, Norway, Poland and El Salvador, copies of which are enclosed for your possible convenience.

It has been the preoccupation of American negotiators to preserve a maximum of uniformity in the texts of these treaties. Necessarily, however, a large number of minor differences have appeared, both to meet the needs of other governments and to take advantage of improvements suggested by departmental draftsmen.

In preparing the enclosed draft text of a treaty with Italy, the treaty with Norway (signed June 5, 1928, effective September 13, 1932)<sup>15</sup> was used as a model. It is one of the latest of the series of treaties referred to. Numerous variations from it are, however, found in the draft prepared for negotiation with Italy.

In view of the fact that the present proposed treaty is to deal with commerce and navigation and not with consular rights, the articles on consular rights in the treaty with Norway are, of course, ignored. The Department is at work upon a separate consular convention, which it may later request you to propose to the Italian Government to supersede the present consular convention signed May 8, 1878,<sup>16</sup> as amended by the supplemental convention signed February 24, 1881,<sup>17</sup> and by abrogation of Article XIII, effective July 1, 1916,<sup>18</sup> in accord-

<sup>15</sup> *Foreign Relations*, 1928, vol. III, p. 646.

<sup>16</sup> Malloy, *Treaties*, vol. I, p. 977.

<sup>17</sup> *Ibid.*, p. 983.

<sup>18</sup> See *Foreign Relations*, 1915, pp. 6 ff.

ance with the Act of Congress of May [*March*] 4, 1915.<sup>19</sup> The conclusion of separate treaties of commerce and of consular rights is in accordance with the present policy of the Department.

There would appear to be no purpose to be served by undertaking an explanation of the various divergencies in the texts of recent treaties of friendship, commerce and consular rights. Neither does it seem necessary to comment upon every article and paragraph of the draft now being sent you. Expository material relating to the details may, however, be useful to you and, accordingly, the accompanying memorandum relating to the proposed treaty with Italy has been prepared and is transmitted herewith.

Should you feel the need for more detailed explanations relating to any of the various points, please request the same, by telegraph if necessary.

With respect to certain alternative suggestions, to be used in case the Italian Government finds portions of the text now submitted to be unacceptable, a further instruction will be addressed to you shortly.

Very truly yours,

For the Secretary of State:

FRANCIS B. SAYRE

711.652/67: Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, September 29, 1936—1 p. m.

[Received September 29—8:25 a. m.]

391. Department's unnumbered instruction September 8. In informal conversation with Count Ciano<sup>20</sup> last evening, I told him of our desire to negotiate a new treaty of commerce and friendship to take place of the old treaty of 1871 and that this would require of course the denunciation of the old treaty. Count Ciano expressed his desire to study the subject and asked me to take the matter up personally with him after his return from a few days absence from Rome.

PHILLIPS

865.515/40: Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, October 5, 1936—5 p. m.

[Received October 5—3:45 p. m.]

401. My 400.<sup>21</sup> The following is a summary of the communiqué issued after the meeting of the Council of Ministers this morning:

<sup>19</sup> Act to promote the welfare of American seamen in the merchant marine of the United States, 38 Stat. 1164.

<sup>20</sup> Count Galeazzo Ciano, Italian Minister for Foreign Affairs.

<sup>21</sup> Not printed.

After reporting on the international monetary situation resulting from the depreciation in countries hitherto composing the gold group and the alignment that had already taken place in many other European countries, the Duce recommended and the Council approved unanimously and without discussion the devaluation of the lira to the 1927 level of stabilization. Mussolini then described the possible repercussions of this measure. As regards foreign trade, it improves the situation especially by stimulating exports and tourist traffic. Only a rise in prices at home would offset these advantages but it was decided to peg certain prices and to supervise rigorously fluctuations in others when they correspond to world price levels. In addition to this and other measures against speculation the Council authorized the Under Secretary for Foreign Trade and Exchange to vary the volume of import quotas for widely consumed commodities and to eliminate without delay the system of private clearings. The purchasing power of the lira will thus be energetically and systematically safeguarded at every point.

Mussolini then examined the Anglo-Franco-American declaration which preceded the alignment of the franc and declared that he agreed with the idea that world economic readjustment was one of the necessary conditions for international cooperation for the purpose of peace. Temporary expedients must however be abandoned for something permanent.

The Council then most categorically reaffirmed that the policy of achieving a maximum of economic autonomy would be continued, this being essential to the military defense of the nation.

The following measures were then approved:

1. In order to adjust the lira to the value of the leading world currencies its gold content is being changed. Since in 1927 the ratio of the lira to the dollar and pound was stabilized at 19 and 92.46 respectively, in order to restore that ratio the gold content of the lira has been reduced proportionately to the reduction in the gold content of the dollar, which was 40.93 percent. The lira is thus reduced to 4.677 grams of fine gold for every one hundred lire of nominal value in comparison with the 7.919 grams established in 1927.

Since the American stabilization law authorizes further variations within a 10% limit and since other important countries such as France and Switzerland have reserved similar powers the Italian law envisages the possibility of further adjustments within a 10 percent limit.

No change is made as regards the circulation and value as legal tender of State notes and of coins which will continue to circulate as at present in Italy and her colonies and possessions and must be accepted as payment by the State and private individuals at their present value. The gold reserves of the Bank of Italy are revaluated on the basis of the present parity of the lira and the profit thus realized is placed at the disposal of the State Treasury.

Special powers are granted the Chief of Government and Minister of Finance to suspend when appropriate all or part of the restrictions now in effect regarding the movement of capital and foreign trade as well as to issue executive and supplementary regulations.

2. In order to avoid disturbances on the domestic market and an increase in the cost of living it is forbidden to sell commodities at prices higher than those registered during September last by the Provincial Councils of Corporative Economy and the Provincial Inter-syndical Committees. Commodities the prices of which are not registered by the above mentioned organizations may not be sold at prices higher than those current on the market at the date the law goes into effect. For 2 years there may be no increase in rents, in prices of electric current and gasoline, or in public transport rates. The law also contains regulations regarding hotel rates and establishes penalties for contraventions.

3. The ad valorem tax on imports established on September 24th, 1931 is abolished and the Chief of Government is authorized further to revise import duties on the basis of the new monetary and price situation.

4. A 5 percent redeemable loan will be issued to cover requirements of colonial development and national defense and all real estate owners must subscribe thereto an amount equivalent to 5% of the net capital value of their property. This loan which will be exempt from all present and future taxes will be paid back in 25 years, amortization to begin the first year of issue. To guarantee payment of interest and capital a small extraordinary tax will be assessed on real estate. Whenever property owners lack liquid funds for subscription special measures provide these funds under conditions whereby interest charges cancel each other. The tax may also be paid in a lump sum with the bonds themselves under favorable conditions which should also improve the market for the bonds.

5. The decree law of September 5, 1935 restricting payment of dividends by commercial companies is repealed but a progressive tax is applied to dividends of over 6 percent or over the average distribution during the past 3 years. This tax applies only to dividends paid, not to profits set aside as reserves. All profits from activities in the colonies and possessions are exempt from this tax in view of the greater risks involved and the benefits deriving therefrom to the economic development of the Empire.

A further official announcement adds: Clearing agreements which were suspended last week owing to the impossibility of determining exchange rates will be immediately resumed on the basis of the new quotations as they are fixed. Private compensation transactions outside the clearings which were also suspended will on the other hand be abolished altogether since with the new value of the lira there is no longer any need for form of payment on the basis of actual as opposed to official exchange quotations. For the same reason the premiums applied to trade with countries with which new clearings were concluded after July 15th are abolished. With the abolishment of private

compensation transactions, the immediate advantage of which to Italian exports is now absorbed in the general advantages of today's measures, exports will go forward more rapidly and surely and with less disturbance to price trends thus solving notable difficulties which had arisen in importing countries. At the same time certain Italian imports formerly subjected to private compensation transactions will become easier and very often much cheaper to the advantage of both producer and consumer in Italy.

Inform Commerce.

PHILLIPS

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711.652/69 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, October 6, 1936—7 p. m.  
[Received October 6—2:50 p. m.]

404. I was received this afternoon by the Chief of the Government. After an exchange of greetings he evidenced an interest in our political situation and when I mentioned the draft treaty of friendship and commerce which I was about to communicate to the Foreign Office he expressed a hope that we might arrive at some closer commercial understanding. While the reception was brief and necessarily somewhat formal Mussolini was decidedly friendly in his attitude toward the United States.

PHILLIPS

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865.515/40 : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, October 7, 1936—6 p. m.

132. Your 401, October 5, 4 [5] p. m. This Government is gratified to hear of the abolition of the ad valorem tax on imports of September 24, 1931, the authorization for the Chief of the Government to revise import duties, the authorization for the Undersecretary for Foreign Trade and Exchange to vary the volume of import quotas and to abolish the system of private clearing, and the authorization to the Chief of the Government and the Minister of Finance to suspend all or part of the existing restrictions on movement of capital and foreign trade. It regards these measures as an important step toward the restoration of normal, mutually profitable trade between this country and Italy.



The policy of this Government naturally continues to be to seek the reduction of excessive trade barriers under the most-favored-nation principle rather than to seek special favors at the expense of other countries. You should utilize every appropriate occasion to emphasize to the appropriate officials of the Italian Government the importance which we attach to the restoration of international trade through the progressive relaxation and abolition of quotas and exchange controls as a necessary concomitant to stability in international exchange and as essential to that real prosperity upon which peace depends.

It is noted that the measures referred to above are highly elastic and allow great discretionary power to certain branches of the Italian Government. Therefore, the Department desires that you follow the application of those measures closely and that you exert every effort to ensure that American trade receives its fair share of the advantages resulting from them.

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711.652/70 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, October 8, 1936—1 p. m.  
[Received October 8—8:55 a. m.]

405. My 391, September 29, 1 p. m. Yesterday evening I handed to Count Ciano the Department's draft Treaty of Friendship, Commerce and Navigation accompanied by a note expressing the hope that it be accepted and that it replace the existing Treaty of Commerce and Navigation between the two countries. I explained that in view of the negotiations which might now be regarded as under way I was planning to address him a note denouncing the old treaty. I expressed the wish of my Government that commercial relations between the two countries should be placed on a modern and more satisfactory basis and that the old treaty contained clauses which were embarrassing to us in view of more recent legislation. Count Ciano admitted the desirability of a new and more up to date treaty. He said, however, that he would like a week's time to study our draft before I gave him formal notice of denunciation.

I shall wait, therefore, before presenting him with the note of denunciation. In this note I propose to call his attention to the fact that negotiations for a new treaty are under way and that accordingly I am instructed to denounce the Treaty of 1871. If the Department has any precise form which it wishes me to use, I shall be grateful for further instructions.

PHILLIPS

711.652/70 : Telegram

*The Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, October 12, 1936—5 p. m.

134. Your 405, October 8, 1936. Department would be glad to be informed as to the attitude of the Italian Government toward a joint declaration providing for termination of the treaty of 1871 as mentioned in the second paragraph on page 2 of instruction of September 8, 1936.<sup>22</sup> It desires to give further consideration to the question whether termination shall be by joint declaration or by a unilateral notice on the part of this Government. Upon receiving a report from you further instructions will be sent with text of a joint declaration or notice, whichever may be decided upon. In the meantime, you will feel at liberty to continue discussions in regard to the new treaty with Count Ciano.

HULL

711.652/74 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, November 21, 1936—9 p. m.

[Received November 21—5 : 35 p. m.]

481. The Director General of Commercial Affairs of the Foreign Office Giannini today summoned a meeting to open discussions of the draft of the new treaty of commerce and friendship. Representatives of the interested Ministries were present. Livengood<sup>23</sup> and Reber<sup>24</sup> attended on behalf of the Embassy.

It was early manifested during the course of the discussions that the Italian Government was willing and ready to go ahead with the negotiation of a new treaty. Giannini stated that his Government was sympathetic with the idea and in general accepted the underlying principles of the draft. He wished to know, however, whether the treaty could be considered as establishing a general framework of the principles which would govern commercial exchange between the two countries and as paving the way, as in the case of the Belgian agreement,<sup>25</sup> for further and subsequent negotiations with respect to a trade agreement or movements of commodities.

<sup>22</sup> Third paragraph of instruction, p. 345.<sup>23</sup> Charles A. Livengood, Commercial Attaché.<sup>24</sup> Samuel Reber, Second Secretary of Embassy.<sup>25</sup> Reciprocal Trade Agreement between the United States and the Belgo-Luxemburg Economic Union, signed February 27, 1935. For text of agreement, see 49 Stat. 3680, or Executive Agreement Series No. 75; for correspondence, see *Foreign Relations*, 1935, vol. II, pp. 102 ff.

This preliminary meeting was for the purpose of permitting the Italian experts to ask certain questions resulting from their study of the draft. These questions were limited largely to points which required clarification and did not reveal any particular points of difference which might later arise except insofar as article VIII of the draft was concerned. With respect to this article it was pointed out that difficulties might arise in establishing the "representative period" for the determination of quotas because of the present Italian method of handling such quotas which were no longer determined upon the basis of former trade periods but upon the basis of actual needs. Similar difficulties were foreseen by the Italians in the application of the present clause relating to the control of foreign exchange as it was explained that foreign exchange was likewise allocated upon the basis of current needs without the possibility of reference to any previous period. It was also considered, with respect to this article, that any general formula intending to preserve the principle of equality of treatment must take into account export as well as import quotas.

The general impression gained from this discussion of article VIII was that the Italian Government is prepared to grant full equality of treatment to the United States although it is of the opinion that the mechanical application of the present draft may be of too rigid a nature and will require attention to adapt it to present Italian administrative methods. It is also their opinion that without some such changes it may give rise to difficulties of practical application.

At the close of the meeting it was agreed that in view of the acceptance by Italy of the fundamental principles underlying the proposed treaty the Italian experts would prepare a counter-draft of the provisions which they considered would require modification.

Under these circumstances I propose to address a note to the Foreign Minister stating that I consider that the time is now appropriate for the two Governments to agree upon a joint denunciation of the old treaty.

PHILLIPS

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611.6531/330 : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, November 22, 1936—8 p. m.

156. Your 482, November 22, 11 a. m.<sup>26</sup> We have, in spite of Italian discriminations against American commerce, continued to accord Italy

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<sup>26</sup> *Post*, p. 370.

our most favorable customs treatment which includes the many duty reductions which have resulted from the American trade agreement program. Numerous Italian products notably have been accorded these reduced rates without any corresponding *quid pro quo* from the Italians. In view of our expectation that a basis for further trade agreement discussions can be found it will of course be understood that we can not accept any proposal involving bargaining in respect of one American product. This is especially true when the Italians are building up new drastic restrictions for the removal of which we are expected to pay. We have constantly taken the position that new restrictions constitute padding and that we will not give reductions from our present rates in exchange for the removal of such new restrictions.

As you know we are anxious to go forward with a revision of the treaty of 1871 which is out of date and fails to meet present day commercial problems. We would like to arrive at an agreement by which both parties would mutually denounce the treaty. In such an event we could look forward to the negotiation of a new treaty and at the same time we would be prepared to resume discussions of the basic principles which will underlie a trade agreement between the two countries.

(For your own information, we feel that unless Italy is willing to agree to a mutual denunciation of the present treaty we must give early consideration to unilateral denunciation since, in the face of further expansion of our trade agreement program we can not continue to accord Italy the benefits which she is receiving as a result of that program. If you find it necessary or useful you may use this in your discussions with Italian authorities.)

We are not unmindful of Italy's commercial problems. We are anxious to assist in a betterment of Italian-American trade. We have given evidence of this desire by continuing to accord Italian commerce our reduced rates and by not denouncing the existing inequitable treaty. We must however have cooperation from Italy and if Italy is prepared to go along with us in our efforts to bring about a reduction in barriers to trade she can expect and will receive from us generous cooperation and a sympathetic approach to her desires.

If any intimation comes to you without making any inquiry in that regard we would like to know what concessions the Italians might have in mind. This information would be useful in our studies of the trade agreement possibilities.

MOORE

711.652/75 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, November 24, 1936—6 p. m.

[Received 8:11 p. m.]

484. My 481, November 21, 9 p. m. I again brought up with Count Ciano last night the question of the joint denunciation of the old Treaty of Commerce and Friendship stressing the need for prompt action in this respect. Ciano promised to consult his experts.

Giannini today informs me that his Government is prepared to agree that if by December 15th it does not appear likely that negotiations for the new treaty can be concluded before the first of the year the two Governments will proceed to a denunciation of the Treaty of 1871. If, however, the negotiations are on the point of successful conclusion at that time Italy would prefer to substitute the new treaty for the old without the necessity of a prior act of denunciation.

Is this satisfactory to the Department?

PHILLIPS

711.652/75 : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, December 2, 1936—2 p. m.

169. Your 481, November 21, 9 p. m., your 484, November 24, 6 p. m.

1. Department notes with appreciation Giannini's proposal, which is satisfactory, contemplating, as it does, joint notice of termination on December 15. Unless the Italian Government is prepared to accept substantially without change the draft of commercial treaty which you have presented to it, there is, of course, no likelihood of reaching signature by January 1.

2. Even if a new treaty were signed, Department would not on that account feel justified in delaying notice of termination because of uncertainties surrounding its ratification and coming into force.

3. You are therefore requested to press for joint notice of termination to be consummated as soon as possible. Should such consummation not later than December 15 at any time seem in doubt, please notify the Department promptly in order that appropriate instructions regarding unilateral notice may be sent you.

4. On receipt of information that decision in respect of termination has been reached, form of notice will immediately be telegraphed to you.

5. Pending receipt of counter-draft, discussion of Italian comment on treaty text seems unnecessary.

MOORE

611.6531/332 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 9, 1936—6 p. m.  
[Received December 9—2: 43 p. m.]

516. Your 156, November 22, 8 p. m. A meeting with the Italian delegation to discuss the new commercial treaty is scheduled to take place Friday afternoon December 11 at which time we may or may not receive the Italian counter-draft. Should this draft be ready for discussion at that time it will undoubtedly be of such nature as to require lengthy negotiation.

Under these circumstances I should like to have a draft notice of joint denunciation which could be presented to Giannini at the close of the meeting, should it become evident, as I anticipate it will, that there is little prospect of concluding a new treaty before the end of the year. It could be explained that if the Italian Government agrees to the terms of the notice joint denunciation could take place on the 15th of December, or otherwise that in view of the delay which has taken place since the presentation of our draft it will be necessary for the United States to proceed immediately to unilateral denunciation of the treaty.

If you approve of this procedure please telegraph the form of the draft denunciation in time for the meeting on Friday.

PHILLIPS

611.6531/332 : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, December 10, 1936—7 p. m.

177. Your 516, December 9, 1936. Following is the form of joint notification to terminate the treaty of 1871 which the Department hopes will be acceptable to the Italian Government:

“The undersigned, the Ambassador of the United States of America to Italy and the Minister of Foreign Affairs of Italy, hereby announce by this official notification, given each to the other, by direction of their respective Governments, the intention of each Government to terminate twelve months from this day the Treaty of Commerce and Navigation between the United States of America and His Majesty the King of Italy, signed at Florence, February 26, 1871, as amended by the Treaty signed at Washington, February 25, 1913, the said notice being given in accordance with the provisions of Article XXV of the Treaty of 1871.”

Approve procedure suggested in your 516.

MOORE

611.6531/334 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 11, 1936—7 p. m.  
 [Received December 11—2:55 p. m.]

523. Department's 177, December 10, 7 p. m. At the meeting with the Italian experts this afternoon the Italian translation of the first 13 articles of the new Treaty of Commerce and Friendship was handed us. It included a number of variations which we are studying. The English text of these articles is now being prepared and will be forwarded with comment as soon as possible.

At the close of the meeting the Department's draft documentation [*denunciation?*] was handed to Giannini who promised to refer the question at once to Ciano. Giannini felt, however, there would be no difficulty in arranging for the documentation [*denunciation?*] early next week and said he would prepare the necessary protocol of signature. He asked that at the time of making public the fact of denunciation it be accompanied by a statement to the press to the effect that negotiations for the new treaty are now under way. Do you approve? <sup>27</sup>

PHILLIPS

611.6531/335 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 16, 1936—10 a. m.  
 [Received December 16—9:15 a. m.]

530. Count Ciano and I have signed a *procès verbale* bearing the date of December 15, 1936, denouncing the Treaty of Commerce of 1871. The protocol is identical with the text contained in Department's No. 177 with the addition of the words "done in Rome the 15th December, 1936."

Department's 181, December 15, 4 p. m.<sup>28</sup> has just been received after arrangements had already been concluded and signature had taken place. The following communiqué was issued to the press this morning by the Foreign Office:

"Several months ago negotiations with the United States of America were begun in Rome for the conclusion of new commerce agreements. The draft is at present in the course of study.

<sup>27</sup> By telegram No. 181 December 15, 4 p. m., the Acting Secretary of State conveyed his approval and the text of a suggested joint press statement to be released simultaneously in Washington and Rome.

<sup>28</sup> Not printed.

Today at the Palazzo Chigi the Minister of Foreign Affairs Count Galeazzo Ciano and the Ambassador of the United States of America, Mr. William Phillips have signed a protocol denouncing the Treaty of Commerce of 1871 which no longer corresponds to present needs, such denunciation to take effect a year from today."

PHILLIPS

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611.6531/336: Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 16, 1936—6 p. m.  
[Received December 16—3: 25 p. m.]

533. My 523, December 11, 7 p. m. At the meeting yesterday the remaining articles of the Italian text of the commercial treaty were handed us thus completing the preliminary explanation of the Italian views. In general these articles show slight differences in principle but of course contain many variations in the method of application, some extensive and others minor. Rather than submit the entire Italian text by cable I am transmitting only the Italian version of articles 6 and 8 which contain the most important differences. The remaining articles together with comment will follow by mail unless you wish me to cable them.

Article 6. It was explained that the Italian delegation could not accept the American proposal. Efforts had been made to modify it to conform to the Italian nationality laws but this had not been found possible and the proposed substitute represents the only solution which seems possible of incorporation in a treaty of this nature. Giannini recalled that negotiations relating to a separate protocol to settle pending citizenship questions between the United States and Italy had already been undertaken and had been unsuccessful. Text follows.

#### Article 6.

Italian citizens within the United States of America and citizens of the United States of America in Italy will be exempt from all obligations of military service without prejudice to the obligations which according to the public law of either of the states remain or arise in the case of the abandonment, the acquisition or the resumption of nationality. They will be likewise exempt from all forms of compulsory, official, judiciary, administrative or municipal functions and will be exempt from all forms of requisitions or military payments such as forced loans and any special extraordinary contributions imposed in the future or for other exceptional circumstances.

The charges relating to the possession or to the leasing of real property in connection with military services and requisitions to which the nationals and citizens of the most-favored nations may be subject in their capacity as owners, lessors or lessees of real property are excepted.



Article 8. The Italian delegation seems most conciliatory and desirous of finding a formula which will be practical of application according to the present Italian system and yet conform to the principles of the American draft. Text follows.

Paragraph 1. "Each of the high contracting parties undertakes to accord to the other high party immediately and unconditionally all advantages, privileges, favors and immunities conceded or which may be conceded in the future to a third country either with regard to the amount, the collection (and) the guarantee of duties and charges (including all accessory and additional duties and charges and coefficients and increases) relating to importation, exportation, deposit, transit, temporary importation and exportation or with regard to customs formalities, the system of levying such duties and charges, the laws and regulations pertaining to the sale (and) taxation and use of imported goods."

Paragraph 2. No change except the words "and coming from" are added to the phrase, "originating in."

Paragraph 3. "If one of the high contracting parties establishes restrictions or control on importation or exportation and if such restrictions or control effect products in which the other high contracting party has a considerable interest it shall immediately communicate to the latter the provisions adopted.

In case the limitation of importation or exportation is established on the basis of a share of the total importation or exportation for a fixed period of time the party which has adopted the measure shall: Either assure for the importation of the corresponding products originating in and coming from the other high contracting party or for the exportation of its corresponding products to the other party a share of the total quantity or value admitted for importation or exportation in the proportion of the importation from or exportation to the other high party affected in the period used as a basis to the total importation or exportation for such period or if such procedure is not practicable the two high contracting parties will come to an agreement for estimating the quantity or value within the limits of which the party which has adopted the limitation shall admit the importation of products originating in and coming from the other high party or shall allow their exportation to the other high party."

The committee illustrates its meaning as follows: If on the total imports from all countries of a certain product, "A", a quota is established equal, for example, to 60% of the total imports of "A" in a basic year then the imports of "A" from the United States will be allowed equal to 60% of the imports of "A" from the United States in the basic year.

Fourth Paragraph. No change except that the sentence beginning "Each high contracting party shall be guided" is changed to read "if the other contracting party considers that such restrictions or control may damage its interests as compared with the manner in which the interests of third countries are treated it may demand the initiation

of conversations in order to agree upon suitable measures to insure the transfer of sums paid by purchasers as the price of its importations effected within the agreed-upon limits."

Fifth Paragraph. No change.

Final paragraph is omitted from the Italian text as it is thought to consolidate principles already enunciated in article 7 and the preceding paragraphs of this article.

It was agreed to reserve discussion both of the preamble and of article 20 for later study in view of special considerations which will have to be raised in connection therewith. With regard to the preamble it is apparent that the Italians will insist upon using the title of King Emperor in the treaty. For your information. In this respect the recent British commercial agreement surmounted this difficulty by being in the form of an agreement between the two Governments without mention of the titles of the sovereigns.

The Italians explain that the question of the extension of the treaty as provided in article 20 to the colonies is now being studied but that no conclusion has been reached.

A memorandum containing suggestions for eventual incorporation into a subsequent and separate trade agreement has also been handed us to show what the Italians have in mind for trade negotiations when the commercial treaty has been concluded. Text follows by mail.<sup>29</sup>

PHILLIPS

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**INFORMAL REPRESENTATIONS TO THE ITALIAN GOVERNMENT WITH RESPECT TO REGULATIONS LIMITING THE TRANSFER ABROAD OF PROCEEDS FROM RENTAL OF FILMS IN ITALY**

865.4061 Motion Pictures/64a

*The Secretary of State to the Chargé in Italy (Kirk)*

No. 736

WASHINGTON, August 31, 1936.

SIR: Reference is made to the Department's telegrams Nos. 78, July 2, 8 p. m. and 107, August 8, 2 p. m.; also your Nos. 247, July 3, noon, 309, August 3, 7 p. m., 318, August 7, 11 a. m., and 325, August 11, 11 a. m.,<sup>30</sup> relating to certain new regulations whereby the transfer abroad of proceeds for the rental of films in Italy would be limited and any remittances above the designated amount would have to be deposited in Italy in blocked accounts to be drawn upon only with official authority and for utilization in investment in Italian film products.

You are requested to make preliminary informal representations to the Italian authorities, pointing out to them that the effect of these

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<sup>29</sup> Despatch not printed.

<sup>30</sup> None printed.

regulations, if applied, would be to render virtually impossible the continued export of American films to Italy, thereby causing grave prejudice to an important American group doing business with Italy and constituting a serious setback in the trade relations between Italy and the United States.

You are requested, furthermore, unless you perceive objection, to leave the enclosed Memorandum with the Italian authorities.

Very truly yours,

For the Secretary of State:  
R. WALTON MOORE

[Enclosure]

*The Department of State to the Italian Foreign Office*

MEMORANDUM

On the afternoon of August 5, 1936, the representatives of American film distributors in Italy were informed by the Italian Theatre Federation of new regulations whereby the transfer abroad of proceeds from the rental of films in Italy would be limited to the global sum of ten million lire annually and any remittances above this amount would have to be deposited in Italy in blocked accounts to be drawn upon only under official authorization and for investment in Italian film products. Moreover, the distributors were notified that of the ten million lire only eight million lire would be allotted to established film importers roughly in proportion to their business for 1934-1935, and they would be allotted a global import quota of 250 pictures. "Sporadic importers" would have allotted to them two million lire for transfer abroad and 50 films.

In addition, as a prerequisite to continue the importation of foreign films, the distributors were asked to obtain from the foreign parent companies signed acquiescence to the new regulations and an agreement to continue the supply of films to Italy in normal amounts, based on the average of 1934-1935.

Frankly stated, since the normal earnings of foreign film companies in Italy last year was between forty and fifty million lire, these regulations would mean that as a price for remaining in the Italian market American companies would be obliged to leave three-fourths of their future profits in Italy to be used in financing a competing industry. No option would be allowed for the supplying of films only up to the amount of money allowed to be exported, for the privilege of taking out the 25 percent would be conditioned on the leaving in of 75 percent. In other words, these regulations would compel American film companies should they wish to remain in the Italian market, to continue their business in full normal value and to accumulate in Italy three lire for every one taken out.

In the view of this Government these regulations, if applied, would virtually place a prohibition on the importation of American films into Italy and would cause a grave prejudice to the trade relations between Italy and the United States.

WASHINGTON, August 31, 1936.

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865.4061 Motion Pictures/69

*The Ambassador in Italy (Phillips) to the Secretary of State*

No. 14

ROME, October 1, 1936.  
[Received October 13.]

SIR: I have the honor to inform the Department that the Memorandum contained in its instruction No. 736 of August 31, 1936, regarding certain regulations affecting the transfer abroad of proceeds from the rental of films in Italy was presented to Prof. Felice Guarneri, Undersecretary of State for Trade and Foreign Exchange, who directs the release of funds in Italy for transfer abroad, by the Commercial Attaché to this Embassy,<sup>31</sup> who has been in communication with the Italian authorities on this subject, and to submit herewith the following report of the conversation between Mr. Livengood and Professor Guarneri:

"I handed to Prof. Felice Guarneri, Undersecretary of State for Trade and Foreign Exchange, Ministry of Finance, the State Department's Memorandum of August 31st relating to the Italian regulations affecting the importation of foreign films as announced on August 5th by the Italian Theater Federation to the representatives of foreign film distributors in Italy.

(By these regulations, as the Memorandum sets forth, the transfer abroad of proceeds from the rental of films in Italy would be limited to the global sum of ten million lire annually and any remittances above this amount would have to be deposited in Italy in blocked accounts to be drawn upon only under official authorization and for investment in Italian film products. Moreover, of the ten million lire only eight million lire would be allotted to established film importers roughly in proportion to their business for 1934-1935, and they would be allotted a global import quota of 250 pictures. 'Sporadic importers' would have allotted to them two million lire for transfer abroad and 50 films.

In addition, as a prerequisite to continue the importation of foreign films, the distributors were asked to obtain from the foreign parent companies signed acquiescence to the new regulations and an agreement to continue the supply of films to Italy in normal amounts, based on the average of 1934-1935).

In the conversation which followed, I pointed out that the effect of these regulations, if applied, would be to render virtually impossible the continued export of American films to Italy, thereby causing

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<sup>31</sup> Charles A. Livengood.

grave prejudice to an important American group doing business with Italy and constituting a serious setback in the trade relations between Italy and the United States.

Prof. Guarneri who reads English although he does not use it in conversation, read the Memorandum very carefully. His first remark was that the latter presented a more 'dramatic' picture than the situation justified, but in the ensuing conversation he pointed out no detail in which the regulations as set forth by the Memorandum were inaccurately described.

'When I limited to ten million lire the funds which could be exported in connection with the foreign film industry,' he said, 'this meant that the excess of exports over imports must be limited to this amount. Thus, for purposes of example, if the exports should amount to 90 million lire, imports for which funds could be transferred could reach 100 million lire.'

He said he was aware of the contention that Italy could not become an important exporter of films. He believed, however, that this contention was unwarranted. 'Formerly', he said, 'similar predictions were made about various classes of machinery, of which we have subsequently developed a highly efficient production.' He said that attractive opportunities existed for American film companies to collaborate in the production of films in Italy.

It was not Italy's desire to deprive American film companies of the Italian market. He considered that through the simultaneous development of Italian film exports the takings of American films by Italy could in time even be increased. As to the desired financial collaboration of American companies in Italian production, this would not mean the permanent locking-up in Italy of the said companies' funds, since the earnings from their participation would be exportable.

He said that in dealing with the film question he had had to consider the desires of more than one Ministry, since films in Italy have a political as well as an economic importance.

From his own point of view, films, however desirable to a country's life they may be, are not an absolute essential as is wheat, for instance. His major task was to effect as nearly as possible an equilibrium in Italy's balance of payments, and rather than defeat this objective he was personally disposed to allow the country to go entirely without films. 'I am unwilling to incur debts which we cannot meet,' he said.

With regard to the Memorandum, he would give it careful consideration. The film program was not a cut-and-dried matter, and he hoped that a satisfactory arrangement would be reached within the general frame-work of Italo-American trade relations. These he trusted would be taken up after the arrival of Ambassador Phillips, with a view to formulating a trade agreement between the two countries. In this connection, he stated that Italy's exports to the United States in the first seven months of this year were valued at 224 million lire; imports from the United States 459 million lire; resulting in a balance adverse to Italy of 235 million lire. Apart from the trade balance, he referred to service charges on Italian dollar bonds (the Morgan loan, etc.) which he said required transfers of exchange amounting to 250 million lire annually. He had no illusion, he stated, that an equilibrium could be expected in trade between these two particular countries, but he believed that the United States could

make possible the taking of a greater amount of Italian goods than is the case at present. Incidentally, he said that word had been received recently that American duties on conserved tomatoes from Italy had been raised 30 per cent because of alleged dumping. This action he deplored as adding to Italy's difficulties in the task of curtailment of the trade deficit.

I again pointed out that the film regulations which virtually required that 3 lire of American film earnings be retained in Italy for each lira sent to the United States had a significance quite apart from considerations of balance of payments. To this he gave no answer further than to repeat that the procedure was not a cut-and-dried matter, that he hoped a solution could be reached in a general arrangement of Italo-American trade relations, and that he would give careful study to the Memorandum.

From the foregoing it will be seen that he made no definite commitments in the matter; nor was it probably to be expected that he would do so impromptu. He showed throughout a desire for friendly commercial relations with the United States and my observation was that he was impressed with the Memorandum.

It may be pertinent to add the reminder that Prof. Guarneri, as Undersecretary of State for Trade and Foreign Exchange, has almost dictatorial powers as regards the release of funds for transfer abroad. The limitation to ten million lire of funds which could be exported to foreign motion picture companies out of earnings in Italy for the coming year originated with him."

I shall not fail to transmit to the Department any further information on this matter which may be received.

Respectfully yours,

WILLIAM PHILLIPS

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865.4061 Motion Pictures/64b : Telegram

*The Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, October 9, 1936—7 p. m.

133. Department's mail instruction 736, August 31. Motion Picture interests now inform the Department that the regulations in question are in operation and that unless relief can be obtained it will be necessary for those interests to close out their business in Italy. I wish you would again take up this matter both orally and in writing with the appropriate authorities.

The objections to a trade practice of this sort are obvious. The principles underlying it could be extended to any line of trade where foreign goods are competitive with domestic, and there is a desire on the part of a Government or its domestic interests to build up home industry. It is infinitely more than a protective tariff, which already exists in Italy, as well as burdensome dubbing fees and taxes. Regulations or laws designed to oblige foreign industry to subsidize domestic industry are contrary to all principles of international trade.

If the Italian regulations in question are maintained there would seem to be no alternative except for this great American interest to close out its offices in Italy and withdraw. It is indicated that the industry could not possibly continue its operations in Italy on a basis whereunder only 20 to 25 percent of its return is permitted to be withdrawn from Italy. Any restriction of this character would probably prove to be too burdensome to the industry in question.

Objectionable as they may be at any time, these regulations come at an extremely inopportune time, insofar as trade relations between the two countries are concerned. Coming at a time when there is renewed hope that the trade relations between the two countries may be established on a new and mutually satisfactory basis, the Department has no other alternative but to view this move on the part of the Italian Government with deep apprehension. It also comes at a time when as a result of the realignment of the Italian currency, the sale of American products in Italy may become increasingly difficult, and the sale of Italian products in the United States is facilitated. As a result of currency devaluation in certain European countries, including Italy, there has developed a strong sentiment in certain quarters of the United States to establish corrective trade barriers against the influx of goods from those countries. In order to withstand and defeat this growing sentiment, the Department must have in its hands evidence of a desire on the part of foreign countries to facilitate American exports to those countries. This recent move on the part of the Italian Government is directly opposed to this idea.

HULL

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865.4061 Motion Pictures/74

*The Ambassador in Italy (Phillips) to the Secretary of State*

No. 31

ROME, October 15, 1936.

[Received October 28.]

SIR: I have the honor to inform the Department that the substance of its instruction No. 133 of October 9, 3 [7] p. m., regarding the prejudicial regulations governing the importation of films into Italy, was brought to the attention of Prof. Felice Guarneri, Undersecretary of State for Trade and Exchange, by the Commercial Attaché both orally and in writing, and to submit herewith the following report of the conversation on the matter between the Undersecretary and the Commercial Attaché:

Professor Guarneri said that he was glad that the Commercial Attaché had called as pressure of work had delayed his sending us a written communication after the Department's Memorandum of August 31st was presented to him, but he promised to write when

certain details were decided upon in new regulations which he would issue shortly. This might be by the latter part of next week.

He said that after receiving the Department's Memorandum of August 31st, he had told the Ministry of Press and Propaganda that the proposed requirement must be abandoned which required that earnings in Italy of foreign film companies in excess of the quotas allocated for exportation must be invested in Italian film production. He insisted to the said Ministry that Italy's commercial relations with the United States could not be allowed to be perturbed by such a requirement. He remarked that he was not one of those who believed that a motion picture industry could be created by compulsion.

As a result of his insistence, in the new regulations which will soon be issued, this objectionable point is excluded. "I realize that you would ask," he said, "for the abolition of all quotas on the importation of films, but this is impossible in view of the state of our international balance of payments." What would be done, however, would be to allot a quota of 15 million lire or so of funds which can be exported by the representatives of the foreign film companies, the greater part of which sum will go to American companies. Within the global sum, allocations will be made by the Theater Federation to the individual companies. A company will be free to transfer abroad earnings up to its allocated quota. Beyond that quota limitation it will be free to introduce or not films extra quota, but with the realization that the earnings in excess of the quota can not be exported. The excess funds may be used in Italy in any way the company may select. Specifically, it will not be required that the money be invested in Italian film production—or invested at all for that matter; it may be left in the banks, if the companies so choose. That is the companies' affair; the Government simply absolves itself in advance from any obligation relating to the transfer of such extra-quota funds.

Professor Guarneri's explanation of the forthcoming regulations was substantially consistent with the information given to the distributors in the meeting of the Theater Federation on October 8th, as outlined in the Embassy's cable to the Department of the same date.<sup>32</sup> The distributors were told that exportable funds would be limited to 16 million lire; Guarneri spoke of approximately 15 millions. The distributors understood that while extra-quota earnings did not necessarily have to be invested in the Italian film industry, they could not be left idle but must be invested in some form or other. Guarneri indicated that they could be invested in any manner or left in the banks as the owners might choose.

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<sup>32</sup> Reference is apparently to telegram No. 413 of October 10, not printed.



As to the disposition of past earnings which have not yet been transferred, Professor Guarneri was not explicit, but he indicated that those would not constitute a problem.

The attitude of the discussion was exceedingly cordial, and he said that apart from the regulations about to be issued it was possible that in the general framework of a hoped-for new basis of trade relations with the United States more liberal dispositions might eventually be possible.

I have the honor to add that Mr. Charles C. Pettijohn, General Counsel of the Motion Picture Producers and Distributors of America, called at the Embassy and discussed with me the general subject of the importation of films into Italy and submitted a Memorandum, of which a copy is enclosed,<sup>38</sup> containing observations on the matter from the point of view of the Paramount interests.

I shall not fail to communicate to the Department any further developments in connection with this matter.

Respectfully yours,

WILLIAM PHILLIPS

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865.4061 Motion Pictures/72 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, October 22, 1936—noon.

[Received October 22—9:10 a. m.]

424. My telegram No. 413, October 10, 4 p. m.<sup>38</sup> While regulations to govern the importation of motion picture films and the exportation of film earnings are still not officially announced, the information of local representatives of American companies is that the regulations under contemplation by the Government are substantially as outlined in my telegram of October 10. The most important features of the plan, according to their information, are that only 16,000,000 lire in total can be exported during the coming year for imported pictures, that within this sum each company will be assigned a quota of the money it can export and of the number of films that it can import, and that earnings in excess of the allocations will not be allowed to be transferred nor will they be allowed to be credited to foreign producers. The previously proposed requirements, that the normal volume of film importations must be maintained and that the earnings in excess of amounts allocated for exportation must be invested in Italian film production, are abandoned.

American representatives, however, declare that even with the reported changes it will be difficult if not impossible for them to continue business in Italy; and Charles Pettijohn, representing Motion Picture

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<sup>38</sup> Not printed.

Producers and Distributors of America, Incorporated, has informed me that the American companies in order to exist and further trade in Italy must insist

(1) that the distributors be allowed to import the number of films they require for their individual needs in Italy,

(2) that the amount of foreign currency set aside for motion pictures be carefully considered in view of the fact that they are not a luxury, in other words that the classification of luxury should not apply,

(3) that the distributors cannot under any circumstances bind themselves on behalf of their producers not to establish credits for any monies owing to New York in excess of the sum finally allocated for exportation, and such funds should not be restricted in any way other than the normal currency restrictions which may apply to the exportation of such sums (see my despatch No. 31, October 15th).

L. L. Lawrence, Metro-Goldwyn-Mayer representative from Paris, has later added that all of the representatives of American films in Rome agree that to the foregoing requirements there should be added that funds allotted for exportation shall not be less than sums exported in 1934 and that companies should not be obliged individually or as an industry to commit themselves regarding their future policy.

These demands obviously go far beyond the scope of the Department's protest contained in the Department's memorandum dated August 31, and telegram No. 133 of October 10 [9].

Please instruct.

Inform Commerce.

PHILLIPS

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865.4061 Motion Pictures/72 : Telegram

*The Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, October 23, 1936—7 p. m.

141. Your 424, October 22. While certain of the proposed film requirements seem to have been abandoned, it would not appear that the position of the American film industry has materially changed. The outstanding objection to the regulations is that only a very small percentage of normal motion picture earnings in Italy can be exported. We would like to see the Italians maintain a regime in regard to motion picture importations not less favorable than the regime heretofore in force, and we are inclined to feel that the points which Pettijohn brought out to you and which we presume has been or will be presented by the industry to the Italian government are not unreasonable and might well be supported. Nor do we feel that the industry as a condition precedent to carrying on business in Italy should be obliged to commit itself regarding its future policy.

I of course do not want to lay down any hard and fast instructions with regard to this matter, but prefer to leave it to you to work out in the most feasible manner in the light of the situation as you find it in Rome. I do feel that this matter is of sufficient importance to warrant rather vigorous support of the industry's position in your discussions with the Italian authorities. I would appreciate knowing what reaction the Italian authorities have evinced to you regarding this matter, since that attitude may have material bearing on the further approach which we feel might be taken to this problem.

HULL

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865.4061 Motion Pictures/75 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, October 31, 1936—noon.

[Received October 31—10:37 a. m.]

438. Motion picture distributors have now received written communication from the Theatre Federation outlining the regulations governing film imports for the year ending June 30, 1937. These are substantially along the lines of my telegram 424, October 22, noon. I am today bringing this entire matter to the attention of Count Ciano<sup>35</sup> and am leaving with him an informal note setting forth the views of the American picture industry.

PHILLIPS

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865.4061 Motion Pictures/82 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, November 18, 1936—8 p. m.

[Received November 18—3:30 p. m.]

472. My 466, November 16, 5 p. m.<sup>36</sup> I presented Mr. Will Hays<sup>37</sup> to Count Ciano this afternoon at the Foreign Office and we discussed the entire situation from the point of view of the American film interests and also from that of the good relations between the two countries. Ciano informed me after the conference with Mr. Hays that he would bring up the matter before the Grand Council this evening. I am not in a position as yet to judge whether the American position will be accepted but in view of the Minister's personal interest and apparent sympathy it does not seem impossible that some sort of satisfactory arrangement may be arrived at.

PHILLIPS

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<sup>35</sup> Count Galeazzo Ciano, Italian Minister for Foreign Affairs.

<sup>36</sup> Not printed.

<sup>37</sup> President of the Motion Picture Producers and Distributors of America.

865.4061 Motion Pictures/84: Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, November 22, 1936—11 a.m.  
[Received November 22—10:25 a.m.]

482. For Sayre. My 472, November 18, 8 p.m. Following a lengthy inter-Ministerial meeting yesterday on the film question Giannini sent me a confidential message last night to the effect that, unless we could make some definite offer of tariff compensation in return, the Italian Treasury would be unwilling to relax the restrictions it has imposed upon American films. He said that without some such corresponding compensation he could not persuade the exchange control authorities to release a larger sum for export and that no other arguments had prevailed. Will observe position taken is one of bargaining.

While I can, of course, explain that we can give no assurances in this respect it would be helpful if you would send me a statement which I could hand to Ciano and perhaps to the Duce repeating your hope of improved trade relations with Italy, the need of denunciation of the old treaty of 1871 and the negotiation of a new treaty of friendship and commerce along the lines of the draft already submitted<sup>38</sup> and your hope of arriving at a trade agreement.

If the Department is willing to undertake preliminary exchanges for the trade agreement before the completion of the treaty it might be helpful to give this assurance.

In addition, please state why we cannot commit ourselves now to any particular tariff schedule in advance of trade agreement negotiations and conclude with a strong appeal to the Italians to dispose of the film problem in fairness and justice to American interests and thus clear the way for the cordial and cooperative relationship so necessary to place the commerce of the two countries on a mutually satisfactory basis. If, however, the authorities here maintain their position I propose to explain that negotiations for a trade agreement take months of labor and to urge a *modus vivendi* of 6 months or more based on their old regulations thus giving us time to negotiate the new treaty relationship.

As Mr. Will Hays is anxiously waiting for favorable action here it would be of the greatest help if the Department would send me instructions which I could use tomorrow Monday morning. There are other important reasons for quick action.<sup>39</sup>

PHILLIPS

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<sup>38</sup> For correspondence regarding the denunciation of the Treaty of 1871 and negotiations for a new commercial treaty, see pp. 340 ff.

<sup>39</sup> For Department's reply to this telegram, see telegram No. 156, November 22, 8 p. m., to the Ambassador in Italy, p. 353.

865.4061 Motion Pictures/90 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 10, 1936—10 a. m.  
[Received December 10—7:20 a. m.]

517. My 487, November 24, 9 p. m.<sup>40</sup> I have received the following from Count Ciano :

"In reply to your letter of November 23rd, I take pleasure in informing you that the exchange allotment destined for the importation of American films in Italy has been raised by another 8 million lire".

As this is contrary to the understanding reached while Mr. Hays was in Rome and Ciano's recent assurances to me, I am seeking an early appointment to ask for an explanation and will cable again as soon as I have seen Ciano. Please inform Mr. Hays.

PHILLIPS

865.4061 Motion Pictures/91 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 10, 1936—8 p. m.  
[Received 11 p. m.]

520. My 517, December 10, 10 a. m. Have had a further discussion with Ciano with regard to American film companies. He now tells me that his note which I received yesterday granted 8 million in addition to the present quota of 8 for American film companies but that the 3 million now allotted to the Italian companies importing foreign films would be used in part for the benefit of American films and he gave me to believe that he might be able to secure an additional million for American companies. The figure of 24 million which we had been led to believe was for the benefit of American films he said covers the total allocation for the importation of all foreign films. I pointed out that the other requirements of the American companies had never been answered in writing and that I must insist upon a written communication from him setting forth the facts which he had just told me and giving a favorable answer to the other points in the discussion. Ciano promised that I should have such a written communication by tomorrow afternoon. Please advise Mr. Hays.

PHILLIPS

<sup>40</sup> Telegram transmitted for Will Hays, not printed. It was Mr. Hays' understanding that the Italian Government had agreed to increase the exchange allotment 16 million lire over the 8 million previously allocated to a total of 24 million. (865.4061 Motion Pictures/86)

865.4061 Motion Pictures/91a: Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, December 14, 1936—6 p. m.

179. Will Hays informed us this afternoon that the reply which you received from the Foreign Office with regard to points 1 and 3 of the agreement reached is unsatisfactory.<sup>41</sup> The motion picture industry considers these two points of the agreement as of outstanding importance. It was our understanding and that of the industry that all these points were satisfactorily agreed upon while Mr. Hays was in Rome. We cannot now understand the reason for the changed attitude on the part of the Italian Government. I need not emphasize to you the importance which we place upon the reaching of a satisfactory arrangement in this matter, and you will of course impress this upon the Italian authorities in your discussions with them.

MOORE

865.4061 Motion Pictures/92: Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State.*ROME, December 15, 1936—4. p. m.  
[Received December 15—3:20 p. m.]

527. Your telegram No. 179, December 14. It is indeed difficult to understand the attitude of the Government here. While the oral assurances given to Mr. Hays and to me settled all the points in our favor the American film interest naturally desired to have something in writing on which to proceed.

We have been in daily touch with the authorities here and have been pressing for such written assurances. Yesterday I received a note from Count Ciano [in] which, while agreeing to the allocation of 20 million lire for American films 3,000 of which are for the benefit of American films imported by Italian companies and the balance of 17 million for American companies, he declines any relief on points 1 and 3.

I did not report the receipt of this note to you yesterday because I have no intention of letting the matter rest at this point and to say that I am astonished and dismayed by this method of Government dealing on the part of the Italians is putting it mildly.

The only possible explanation is the determination of the Department of Trade and Foreign Exchange, of which Guarneri is the head, not to be overruled in matters coming within their jurisdiction. It

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<sup>41</sup> Reply not printed; points 1 and 3 are contained in telegram No. 424, October 22, noon, from the Ambassador in Italy, p. 367.

is also a fixed policy in all Government circles to build up the new Italian film industry.

The Italians maintain that to grant us point 1 and then permit unlimited importation of American films would be exactly contrary to the fixed policy of the Italian Government which maintains quotas on every article of import. To make an exception therefore for American films would be to upset their entire system. On the other hand I believe that I can secure a proportional increase in the American film quota and I presume that that is desired by the American interests.

I shall also leave no stone unturned to obtain a more favorable attitude with regard to point 3 and secure not only freedom of action for our companies in investing in Italy those funds in excess of the amount permitted for export but also to protect them against a permanent freezing in Italy of such funds.

It may be necessary for me to request an audience with the Duce but until I have exhausted all other efforts I think it would be best for me not to do so since such action on my part might be merely a further irritant injected into a highly charged situation.

PHILLIPS

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865.4061 Motion Pictures/93a : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, December 16, 1936—7 p. m.

186. The following message just received from Mr. Hays for the Ambassador:

“Replying your cable. Companies now in joint session and giving careful consideration to situation and your suggestions. As to point 1 we call your attention to the fact that in the resolution of Federation of August 1936 they provided for import of 250 American pictures. This would indicate their recognition of our need for some such number. We believe safe if number were fixed at 250 and might possibly scale that in trading to 200 pictures imported. If this were done believe possible to compromise on 20 million guaranteed export. As to point 3 would need right to use residue in manner of our choice with no restrictions as to what it is invested in there and only restricted by the normal currency restrictions which apply to the exportation of money. The 20 million guarantee should not be used as the basis for any allocation of the number of films to be imported as this amount actually bears no relation to the number of pictures imported. It would be very desirable if the allocation of pictures between the companies could be made here instead of there to insure larger satisfaction of all parties involved here, including American companies whose product is distributed by Italian licensee. Further, very desirable that the allocation of the 20 million be made here and not there between the companies as by that method larger satisfaction likewise obtained and this would be fairly done to all companies including the American

licensors of the Italian companies. Quite desirable for this type of satisfaction be obtained to enable us here to bring greatest amount of cooperation with Italian industry which they desire and which will be useful in further negotiation with them on everything. All greatly appreciate your preferred attention this matter.”

MOORE

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865.4061 Motion Pictures/94 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 17, 1936—7 p. m.  
[Received December 17—2:58 p. m.]

535. I presented a further note to Count Ciano this afternoon based on your instruction No. 186, December 16, 7 p. m., and after going over with him again the entire situation as viewed by the Department and the American film companies, I hope to receive a favorable reply which has been promised me shortly.

Copy sent to Paris for the information of Harold Smith.<sup>42</sup>

PHILLIPS

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865.4061 Motion Pictures/96 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 19, 1936—7 p. m.  
[Received December 19—5:40 p. m.]

539. My telegram No. 535, December 17, 7 p. m. I have today received the following note from Count Ciano concerning the film negotiations.

“In reply to your letter of December 17 while confirming that the sum of 20 million transferable lire continues to be allotted for 1936-37 for the importation of American films into Italy, I inform you with regard to the other two points to which you called my attention as follows:

1. In 1934, a year when there were no import restrictions, the number of American films imported into Italy amounted to 168. For 1936-37 film import applications made by American companies related only to 160 films. The increase of importable films for 1936-37 to 250 is therefore considerable even with respect to the applications already made by the parties concerned. Nevertheless, in view of Your Excellency's solicitude and despite the difficulties which this will cause, the Royal Government agrees that the number of American films which may be imported into Italy in 1936-37 shall be fixed at 250.

2. Sums in excess of the 20 millions which may eventually accrue to the benefit of American films imported into Italy remain, as I have

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<sup>42</sup> European representative of Motion Picture Producers and Distributors of America.



already mentioned to you, at the free disposal of the American exporters for any permanent investment of mobile or immobile character which they might desire to make in Italy under the control of the National Institute for Foreign Exchange and naturally in conformity with the regulations of general character which are applicable also to nationals. Such control has nothing to do with the merits of such investments which remain entirely at the discretion of the parties concerned, but aims solely at ascertaining that these sums are really employed in Italy and are not exported even in a disguised form.

I trust that I have replied exhaustively to the questions you set forth in a manner conforming to your wishes."

With reference to the requirement that sums in excess of the 20 million lire be invested in Italy, I had stressed to Count Ciano the importance of giving some assurance to the film companies that in the event that restrictions governing the export of currency should be relaxed their excess profits would be benefited thereby. Ciano was very positive that his Government could not commit itself at this time to any such future undertaking and in view of the positive assurances that the American companies would be completely free to make whatever disposal of their funds in Italy that they desired subject only to the supervision of the National Institute of Foreign Exchange, insofar as it was intended to prevent a concealed exportation of funds from Italy, I felt it would be unwise to pursue the subject further. Moreover, this seems to be a matter more, perhaps, for discussion in connection with any eventual trade agreement negotiations since these would give an opportunity to work out provisions for equal treatment of all American firms in respect to their frozen accounts in Italy.

The Department will also note that no reference is made in Ciano's note to the request of the film producers that the industry be permitted to make the allocation of films in the United States. This is a new demand put forward by the American companies which was not previously listed among their desiderata and is contrary to Italian basic procedure. Moreover, Ciano in an earlier note had pointed out that the distribution of this contingent is entrusted to the competent federation for the category as for all foreign importations into Italy. I, therefore, did not raise this issue in my last discussion with him but have in mind suggesting the possibility of reaching an informal arrangement whereby before the definite allocation is made, the representative of the Motion Picture Producers [and] Distributors in Paris will be given an opportunity, informally, to discuss this allocation with the Theatre Federation. This method while not questioning the right of the local authorities to control importations into Italy would nevertheless give the American industry an opportunity to express its views before the final decision with regard to allocation of the funds is made.

865.4061 Motion Pictures/97 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 21, 1936—11 a. m.

[Received December 21—9 a. m.]

540. As I am seeing Ciano tomorrow evening I should be glad to have your views regarding the film situation as set forth in my telegram No. 539, December 19, 7 p. m.

PHILLIPS

865.4061 Motion Pictures/97 : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, December 22, 1936—2 p. m.

189. Your 540, December 21, 11 a. m. Mr. Will Hays has submitted the following views with regard to the Italian situation:

"The American companies are able to concur in the details of the accord outlined in the note from Count Ciano to the Ambassador and received by the Ambassador on December 19. Provided, however, that this concurrence is on two necessary assumptions: first, that the terms of the note do not require any company to spend in Italy any amount of their excess unless they so desire. We understand that any spending in Italy is subject to the terms outlined in the note and feel sure that there is no actual or implied obligation to spend any amount of excess but suggest Ambassador be sure of this because companies could not make commitment in advance to spend any part of excess. The second assumption is as to the following provision in note from Ciano: 'Sums in excess of 20,000,000 lire which may eventually accrue to the benefit of American films imported in Italy remain as I have already mentioned to you at the free disposal of the American exporters, etc.'

We assume that this means that either in the case where an American company distributes through an Italian company or by Italian interests either as its agent or licensee, or in the case where an American company distributes through an Italian company wholly owned by the American principal, any excess is at the free disposal of such American principal at its discretion subject to the control provided by the terms of Count Ciano's note to the Ambassador. Also we concur in the Ambassador's suggestion that he endeavor to reach informally an arrangement whereby before the definite allocation of the 20,000,000 exportable lire is made a representative of the Motion Picture Producers and Distributors of America will be given an opportunity informally to discuss this allocation with the Theater Federation to the end that we may give any aid possible in developing the fairest possible allocation, a result which is desired by both the Federation and ourselves."

MOORE

865.4061 Motion Pictures/101 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, December 24, 1936—noon.

[Received December 24—9:50 a. m.]

549. Department's 189, December 22, 2 p. m. Positive assurances were received from the Foreign Office last night to the effect that American companies would be free to make whatever disposal in Italy they desire of the funds subject only to the control of the National Institute of Foreign Exchange. It was explained that this meant that the companies would not be required to spend any amount in excess unless they so desire but would be free to deposit the funds in a bank in a strong box or invest them in any way in Italy.

With regard to the second assumption insofar as the Italian Government is concerned relations between the American companies and the Italian companies are a matter of concern to the companies themselves—in other words save for the authorization by the Government of the export of 20,000,000 lire the Government takes no cognizance of the arrangements entered into between the companies regarding the proceeds received from the sale of films. Nor does the Italian Government object to the funds being placed at the disposal of the American companies by the Italian companies according to arrangements worked out between American principals and their local agencies subject only to the necessary measure of control of the National Institute of Foreign Exchange.

Through an informal understanding between the Embassy and the Director of the Theatre Federation it was arranged that the representative of the American Motion Picture Producers and Distributors would be given an opportunity to discuss the allotment of the funds and quotas remaining unassigned and I am expecting him to arrive in Rome next week for this purpose.

May I consider the negotiations now terminated and so inform the Foreign Office.

PHILLIPS

865.4061 Motion Pictures/101a : Telegram

*The Acting Secretary of State to the Ambassador in Italy (Phillips)*

WASHINGTON, December 24, 1936—4 p. m.

193. Mr. Hays has informed the Department that Smith was told by Reber<sup>43</sup> that the Italian authorities have stated that the film com-

<sup>43</sup> Samuel Reber, Second Secretary of Embassy in Italy.

pany's assumptions with regard to Ciano's note are correct, and also that Livengood will take up with the authorities the question of the manner in which a Hays representative may sit in with regard to the allocation of exportable lire. On the basis of this information the American companies are today ordering their continental managers to resume business in Italy.

Your 549 last paragraph. Yes. Hays concurs.

MOORE

## LATVIA

### REPRESENTATIONS REGARDING ALLEGED DISCRIMINATION AGAINST AMERICAN TRADE IN LATVIA <sup>1</sup>

660p.116/48

*The Chargé in Latvia (Cole) to the Secretary of State*

No. 1126 (Diplomatic)

RIGA, April 2, 1936.

[Received April 15.]

SIR: I have the honor to refer to my despatch No. 870 of September 13, 1935,<sup>2</sup> transmitting the text of a note concerning the treatment accorded by Latvia to American trade delivered to the Latvian Minister for Foreign Affairs. There is transmitted herewith a copy of the Latvian Government's reply to this note, dated March 30, 1936 and signed by Mr. Vilhelms Munters, Secretary-General of the Ministry for Foreign Affairs.

An analysis of this note and of the statistics annexed thereto is being prepared and will be forwarded in the next pouch.<sup>3</sup>

Respectfully yours,

FELIX COLE

[Enclosure]

*The Latvian Secretary General of the Ministry for Foreign Affairs  
(Munters) to the American Chargé (Cole)*

R. 610.63/35. 9902

RIGA, March 30, 1936.

I have the honour to acknowledge receipt of your Note No. 168 of September 11th last, explaining to me the general foreign trade policy of the Government of the United States and especially their principles regarding the application of most-favoured-nation treatment, in accordance with the Trade Agreement Act of June 12th, 1934,<sup>4</sup> and the instructions issued by the President of the United States to the Treasury Department.

In reply, I have much satisfaction in stating that, in principle, the Latvian Government fully concur with the American Government in

<sup>1</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 552-578.

<sup>2</sup> *Ibid.*, p. 559. The text of the note as delivered on September 11, 1935, is printed as the enclosure to instruction No. 160, August 16, 1935, *ibid.*, p. 554.

<sup>3</sup> Not printed.

<sup>4</sup> 48 Stat. 943.

esteeming that an unrestricted application of most-favoured-nation treatment would contribute considerably to the revival of world trade and prosperity. Nearly all countries having, however, introduced various restrictions seriously affecting imports and the free circulation of foreign currency, the Latvian Government have, unfortunately, been compelled to adopt a similar policy.

I note with satisfaction that, according to the statement you were good enough to make in the above-mentioned Note, the United States Government do not refuse generalization of minimum duties and equality of treatment to a foreign country, irrespective of the degree to which that country is restricting trade, as long as American commerce is offered equality of opportunity and accorded its fair and equitable share of the permitted importations and the means of payment therefor. I cannot, however, agree to the views you go on to express in your Note, namely that such "equality of opportunity" and "equitable share of the permitted importations" have been withheld from American commerce, and that there has been occasion to speak of the "intervention of the Latvian authorities into the field of American-Latvian trade, resulting in the restriction of imports from the United States and the direction to other countries of the importation of commodities formerly obtained from the United States". That this is by no means the case can be seen clearly from the enclosed statistical data regarding the trade returns between our two countries (see Annex 1).<sup>5</sup> Although since 1928, when the Treaty of Friendship, Commerce, and Consular Rights was concluded,<sup>6</sup> the balance of trade has been adverse to Latvia, the total volume of American imports has, after the decline which it suffered in consequence of the catastrophic shrinkage of world trade during the acute crisis of 1931, steadily been increasing. Indeed, since 1932, when various import restrictions were introduced in Latvia, the value of American imports has even, according to the annexed table, reached double the amount recorded for that year, instead of shrinking still further like the imports from other countries during that period, so that the administrative measures of the Latvian Government in this respect, far from being a deterrent, have proved beneficial to American goods in the Latvian market.

I should also like to draw your attention to Annex 2,<sup>5</sup> where the chief United States imports have been arranged in groups. From these figures, it is self-evident that there can be no question of a compulsory diversion of exports from the United States to other countries on the part of the Latvian authorities. A close study of the different

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<sup>5</sup> Not printed.

<sup>6</sup> Signed on April 20, 1928, *Foreign Relations*, 1928, vol. III, p. 208.

groups of commodities imported from the United States during the last years will, on the contrary, show you that, according to our statistics, articles formerly imported from the United States continue to be purchased there. The importation of American fruit, cotton, cars and their spare parts, etc. has even increased in the current year, and only a very few commodities can be said to have been subject to seasonal and other fluctuations. These can in no way alter the main characteristics of the exchange of goods between our two countries.

It follows from the above that no discriminatory measures are or have been applied to the importation of American goods. This is finally proved likewise by the figures regarding supplies of foreign currency in payment for such goods. The sums allotted by the Currency Commission for payment in cash for American goods have remained practically unchanged, 5,3% of the total allocations having been set aside for this purpose in 1934, and 4,0% during 1935.

Further, you state in your Note that "a policy of effecting a balance of the merchandise trade between the United States and Latvia through a system of compensation trade, the administration of foreign exchange controls or other administrative devices is, in the opinion of the American Government, in conflict with the most-favoured-nation treatment specified in the Treaty of Friendship, Commerce, and Consular Rights between the United States and Latvia".

As I had the honour to point out to you in the beginning of the present Note, the Latvian Government agree in principle with the United States Government in regarding most-favoured-nation treatment as the most effective means of giving elasticity to trade arrangements and of increasing international trade throughout the world, but they find it impossible to carry this policy into effect while the majority of those countries with whom Latvia maintains trade relations follow a policy of a different character. The fact that the very countries, trade relations with whom are particularly developed, insist on the trade balance being redressed in their favour, compels the Latvian Government to attach the greatest importance to the state of their commercial balance with other countries, since, in order to pay for imported and consumed goods, they must obviously have an opportunity for exporting Latvian goods of about the same value.

You will recollect that the State Department, in its Statement of April 1st, 1935, ("Policy of the United States concerning the Generalisation of Tariff Concessions under Trade Agreements")<sup>1</sup> on the generalisation or withholding of concessions, states, among other con-

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<sup>1</sup> *Foreign Relations*, 1935, vol. I, p. 536.

siderations, that "to such (foreign) countries, a standing offer is extended to accord to them the benefit of our minimum rates . . . if they agree not to discriminate or, in fact, cease to discriminate against American trade in respect of all forms of trade-control measures, including exchange control and other measures not specifically dealt with in existing treaties or agreements in force with such countries".

This declaration would seem to me to imply that, on principle, the State Department has no objections against "all forms of trade-control measures, including exchange control and other measures not specifically dealt with in existing treaties," so long as the respective countries agree not to discriminate against American trade. As already stated in a preceding paragraph of the present Note, no such discrimination against American trade is practised in Latvia. In the opinion of the Latvian Government there would, therefore, be no apparent reason for the United States Government for considering the withdrawal from Latvia of the minimum duties she has enjoyed until now.

As regards, in particular, the system of compensation, of which the so-called export clause—i. e. the stipulation that imports from a certain country should be paid for by the proceeds from exports, preferably to that same country,—may be said to form part, I can only assure you once more that it is the commercial policy of numerous other countries which is compelling Latvia to make use of this expedient in her dealings with all the countries with whom her trade balance is unfavourable. I may add at the same time that, far from discriminating against American imports, Latvia has on the contrary accorded them special advantages. Notwithstanding the existence of a continually passive balance with the United States, the system of compensation is applied to American goods in so restricted a form that very few of such goods only are affected by its stipulations. It would, therefore, appear to the Latvian Government that their policy in this respect gives evidence of a certain favouring of American imports rather than the reverse.

My above explanations would seem to prove sufficiently clearly that most-favoured-nation treatment continues to be applied by Latvia to goods of American origin, and there can, to my mind, be no question of any infringement, on the part of the Latvian Government, of the Treaty of Friendship, Commerce and Consular Rights concluded between Latvia and the United States.

With reference, lastly to the desire of the United States Government to be informed regarding the general Latvian restrictions on foreign imports from all countries and the special measures regarding United States products as well as the sale of means of payment for the latter, I have the honour to inform you that the Latvian law



on foreign exchange and foreign trade (*Valdības Vestnesis* No. 60, 1935), and the supplementary instructions to this law (*Valdības Vestnesis* No. 109, 1935) contain all the provisions governing this side of the economic life of the country. These provisions, as pointed out to you before, are applied without distinction to all imported products irrespective of their origin, and also to payments for imported goods or transfers of foreign exchange. I must, therefore, stress the fact once more that no separate provisions exist in Latvia concerning American trade or payments for imports from America, these being subject to the above-mentioned general regulations on the subject.

Taking into account that the condition that Latvia treat American commerce no less favourably than she treats the commerce of third countries is faithfully being complied with,—concerning which circumstance the Latvian Government are willing to give assurances also regarding the future—there would seem to be no reason why the United States Government should in any way modify the treatment at present extended to Latvian products imported into the United States, and I feel confident that your Government will continue to accord to such Latvian imports the minimum duties specified in their agreements with other foreign countries, as well as unconditional most-favoured-nation treatment.

It must, however, be mentioned in this connection that the measures recently applied by the United States authorities to Latvian butter and tinned sprats do not appear to the Latvian authorities to be illustrative of the principle of equality of opportunity and treatment, to which you were kind enough to draw to my attention in your Note. The duties applied to such Latvian imports have, on the contrary, created the unfortunate impression that discriminative measures are enforced solely where goods of Latvian origin are concerned. In referring to the Notes transmitted to the United States authorities by the Latvian Consulate General in New York and to the Finance Minister's<sup>9</sup> conversation on the subject with Mr. Kelley of the State Department,<sup>10</sup> I take this opportunity to express the earnest hope that the United States authorities will see their way to remove the obstacles that are at present impeding the export of Latvian goods to the United States, an export which had assumed regrettably insignificant proportions even apart from those obstacles.

I avail myself [etc.]

W. MUNTERS

<sup>9</sup> Ludwig Ekis.

<sup>10</sup> Robert F. Kelley, Chief of the Division of Eastern European Affairs.

660p.116/50a : Telegram

*The Secretary of State to the Minister in Latvia (Lane)*<sup>11</sup>

WASHINGTON, October 1, 1936—noon.

52. Please submit as soon as practicable comprehensive report covering effect of Latvian devaluation on American-Latvian trade.<sup>12</sup> Information with respect to changes in Latvian policy or attitude towards American trade should be obtained from official circles. If a comprehensive report cannot be submitted without appreciable delay, forward by despatch pertinent information as obtained and incorporate it later in desired report.

HULL

660p.116/51 : Telegram

*The Minister in Latvia (Lane) to the Secretary of State*RIGA, October 6, 1936—4 p. m.  
[Received October 6—3:25 p. m.]

86. Department's 52, October 1, noon, received October 5th. President Ulmanis informed me on October 2nd that import restrictions will be gradually relaxed as a result of devaluation of lat. The President said that Latvian Minister in Washington now arranging purchase by Latvian Government of large number of passenger automobiles and trucks.

Statement by Minister of Finance published today indicates that rise of prices will be prevented by correcting of import tariffs, increase of import quotas and through price control. Despatch follows.

LANE

660p.116/53 : Telegram

*The Chargé in Latvia (Packer) to the Secretary of State*RIGA, December 19, 1936—noon.  
[Received December 19—10:20 a. m.]

119. *Official Gazette*<sup>13</sup> December 18th publishes law effective that date passed by Council of Ministers on December 14 providing that

<sup>11</sup> The Minister was accredited to Estonia, Latvia, and Lithuania, with residence in Riga.

<sup>12</sup> The Latvian Cabinet of Ministers decided on September 23, 1936, to devalue the lat by about 40 percent and to tie the lat to the British pound sterling, effective the following morning. Thereupon 25.22 lats became worth one pound, and 5.16 lats equalled \$1.00.

<sup>13</sup> *Valdības Vestnesis*.

only regular merchants holding trade licenses and import licenses will be permitted to represent foreigners in Latvia and that all agency contracts must be approved by Minister of Finance. Graduated tax is imposed upon holders of such licenses in accordance with value of annual imports.

American firms represented here by commission agents may have to make new arrangements.

It is believed that purpose of law is to eliminate certain minorities from import trade and further concentrate economic control in hands of Government.

PACKER

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660p.116/54

*The Chargé in Latvia (Packer) to the Secretary of State*

No. 272

RIGA, December 23, 1936.  
[Received January 15, 1937.]

SIR: With reference to the Department's telegraphic instruction No. 52 of October 5 [1], 1936, requesting a report on the effect of the Latvian devaluation on Latvian-American trade, I have the honor to submit herewith a memorandum dealing with this subject, prepared by Mr. George M. Abbott, Third Secretary of Legation. In accordance with the Department's instructions, a number of telegrams and despatches have been already submitted to the Department dealing with the current developments resulting from the devaluation of the lat.<sup>14</sup>

The enclosed memorandum carefully analyzes the several basic and temporary factors at present affecting Latvian-American trade. The conclusions reached are that the immediate prospect is for an increase in the volume of such trade, particularly with respect to Latvian exports to the United States; and that it is impracticable to state what may be the permanent effects of the devaluation upon such trade. What those effects may be would seem to depend upon the extent to which a revision may ensue in Latvian foreign trade policy, which is at present based upon bilateral balancing of trade with each individual country. There have already been certain tariff reductions and a very limited relaxation of the quota and foreign exchange regulations, and some further moderation of trade control measures is possible, but it is believed that Latvia cannot return to an unrestricted foreign trade unless its two main customers, Great Britain and Germany, do so.

Respectfully yours,

E. L. PACKER

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<sup>14</sup> Not printed.

[Enclosure—Extract]

*Memorandum by the Third Secretary of Legation in Latvia (Abbott)*

## VI. EFFECT OF THE DEVALUATION ON LATVIAN-AMERICAN TRADE

(a) *General Situation*

The remarks made in the previous section<sup>15</sup> regarding the general effect of the devaluation of the lat on Latvian foreign trade applies in large part to Latvian-American trade. There are, however, certain special factors which must be taken into consideration.

Practically all Latvian exports to the United States since the end of 1934, have been indirectly subsidized through the "export valuta" system. Moreover, with respect to the marketing of butter and rye, two of the most important export items to the United States in recent times, Government monopolies exist which export surplus supplies regardless of the price received. It is therefore believed that the stimulation of Latvian exports to the United States which might normally be expected to result from the devaluation of the lat will be largely neutralized by these special factors.

With regard to imports from the United States, these have already been so controlled and restricted that it is not thought that the devaluation of the lat in itself will have much effect on the volume of Latvian purchases from the United States.

(b) *Possibility of Change in Latvian Foreign Trade Policy*

Since in ordinary circumstances, the balance of trade between the United States and Latvia will be considerably in favor of the United States, it is believed that the all-important question to be considered in analyzing the effects of the devaluation of the lat on Latvian-American trade is whether or not the devaluation will be followed by a change in the present Latvian foreign trade policy which is based on the principle of bilaterally balanced trade. This policy is being effected through clearing agreements where possible, and otherwise through a system of import licenses, import quotas and foreign exchange restrictions which give the Government complete control over the importer, the goods to be imported, the country of origin and the method of payment. The Government moreover directly controls a considerable share of the country's foreign trade through the export and import monopolies held by Government organizations. For a more complete description of Latvian trade policy and the effect it has had on American trade see the Legation's despatch No. 645 of March 14, 1935, "American Trade in Latvia",<sup>16</sup> and subsequent despatches on the same subject.

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<sup>15</sup> Not printed.

<sup>16</sup> *Foreign Relations*, 1935, vol. II, p. 552.

There are many indications that the Latvian Government would like to seize the present opportunity to adopt a more liberal policy and some steps have already been taken in this direction.

Minister of Finance Ekis, in his radio speech of September 28, 1936 (see enclosure No. 1 to this memorandum),<sup>17</sup> expressed the hope that the stabilization of the foreign exchange situation as a result of the agreement between France, the United States and Great Britain, would be followed by a return to freer world trade conditions. In his conversation with Mr. Cole on the same day,<sup>18</sup> Mr. Ekis expressed the hope that certain of the Government measures for the control of foreign trade and foreign exchange could be gradually eliminated. President Ulmanis expressed himself even more freely in his conversation with Minister Lane on October 5, 1936.<sup>18</sup> The President said that he, Mr. Ekis and the other members of the Cabinet, were entirely in sympathy with the policy of abolishing trade restrictions and that he hoped within a few weeks it would be possible gradually to relax the present restrictions.

The tariff reductions effected since the devaluation of the lat will of course further imports, or rather partially counterbalance the unfavorable effect of the devaluation of the lat, but it must be kept in mind that these tariff reductions were made not for the purpose of encouraging imports or for removing obstructions to foreign trade, but to prevent an increase in price of certain essential commodities. This was frankly admitted by Foreign Minister Munters in a conversation with Minister Lane on October 23, 1936,<sup>18</sup> and by Finance Minister Ekis in his official press statement on October 20,<sup>17</sup> following the first tariff reduction.

In connection with the tariff reductions on October 21, the Latvian Government also removed certain commodities from the quota and foreign exchange restrictions, and certain others from foreign exchange restrictions only. The commodities affected, however, are of relatively little importance, and it is believed that this measure was taken mainly as a gesture and an indication of Latvia's willingness to cooperate with the great commercial powers in efforts to remove trade barriers.

In spite of these indications of a desire to remove trade restrictions, it is doubtful if any worthwhile steps in this direction on the part of the Latvian Government can be expected in the near future.

In his official statement on October 20, 1936, Minister of Finance Ekis, in referring to the removal of the quota and foreign exchange restrictions on certain articles, pointed out that any further steps in

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<sup>17</sup> Not printed.

<sup>18</sup> Memorandum of conversation not printed.

this direction would depend on the action of other countries in removing restrictions on the import of Latvian products.

The Legation has heard from two well informed sources\* that a difference of opinion exists within the Latvian Government regarding its future trade policy. One group, which is believed to include President Ulmanis and Mr. A. Berzins, President of the Latvian Chamber of Commerce and Industry and of the Latvian Credit Bank, is understood to be in favor of immediate relaxation in trade restrictions, especially the import license requirements, foreign exchange restrictions, and clearing agreements. The other group, led by Minister of Finance Ekis, wishes to maintain in operation the system of laws and regulations whereby the Government is in a position to control absolutely the movement of foreign trade, and believes that Latvian trade restrictions can only be removed after the leading commercial powers, primarily Great Britain, have returned to a policy of unrestricted trade. Minister Ekis' views appear to be in the ascendant at the present time. This is indicated by the fact that Latvia has not taken the opportunity to let its various clearing agreements lapse, but has just concluded special arrangements to adapt the Swedish and Lithuanian agreements to the new conditions and is negotiating with Germany and Estonia.

It is not believed that Latvia will make any decision regarding its future foreign trade policy until the conclusion of the negotiation with Great Britain regarding the revision of the British-Latvian trade agreement of 1934,<sup>19</sup> which expires December 31, 1936. It may be pointed out that it was largely Great Britain's insistence that Latvia take steps to increase its imports from Great Britain which was instrumental in causing Latvia to adopt the policy of bilaterally balanced trade with consequent restriction of American imports.

(c) *Immediate Prospects for Latvian-American Trade*

Although any permanent change in the status of Latvian-American trade can only follow a change in Latvian foreign trade policy, which in turn, as explained above, is believed to be largely dependent on a change in British policy, the immediate prospects for American trade are likely to be affected by a number of temporary conditions partly connected with the devaluation of the lat but partly entirely independent therefrom.

During the first nine months of 1936, Latvia had a favorable balance of trade for the first time in any period of such length in any year, except 1932, since the establishment of the country. This caused

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\*Mr. Andre Kampe, Chief of the Juridical Section of the Ministry for Foreign Affairs; and Mr. Alberts Zalts, Secretary of the Latvian Chamber of Commerce and Industry. [Footnote in the original.]

<sup>19</sup> Commercial Agreement with Protocol between Great Britain and Latvia, signed July 17, 1934, League of Nations Treaty Series, vol. CLIV, p. 26.

the reserves of foreign exchange held by the Bank of Latvia to increase rapidly and as a result the Foreign Exchange Commission has in recent months been more lenient in granting import permits. Moreover, the stoppage of imports from Germany will undoubtedly result in a temporary diversion of a certain amount of business to American exporters. Thus the immediate prospect is for an increase in imports from the United States.

Latvian exports to the United States have been relatively large in the last year and a half, and may well increase still more during the next six months. It is not believed, however, that this is a permanent development, since the chief commodities involved—grain, butter, and, more recently, clover seed—are items which in ordinary circumstances would not be imported by the United States in any considerable quantity, but for which a demand exists at the present time because of the drought during the past summer. Moreover, the large Latvian exports of rye were only possible because of an extraordinarily good crop here in 1935 and shipments have already stopped, following the subnormal crop this year.

G[EORGE] M. A[BBOTT]

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[There was no change in the general status of trade relations between the United States and Latvia prior to the outbreak of war in Europe in 1939. No further representations were made with respect to alleged trade discriminations except such efforts as the American Legation could exert locally to facilitate American exports.]

## NETHERLANDS

### RECIPROCAL AGREEMENT BETWEEN THE UNITED STATES AND THE NETHERLANDS GRANTING FREE ENTRY PRIVILEGES FOR TRADE COMMISSIONERS

611.56241/55

*The Secretary of State to the Minister in the Netherlands (Emmet)*

No. 269

WASHINGTON, June 23, 1936.

SIR: There is enclosed a copy of despatch No. 394, dated April 6, 1936, from the American Consul at Batavia, Java,<sup>1</sup> regarding the question of customs privileges extended American trade commissioners in Batavia. It will be observed that the Consul states that he has been advised that American trade commissioners are allowed free entry, including their automobiles, upon first arrival in Netherland India, and upon return from leave of absence in the United States, but not at any other time, and that the privilege of free entry at any time might be extended such officers under a reciprocal agreement between this Government and that of the Netherlands.

Upon the receipt of the Consul's despatch this question was taken up with the Treasury Department and that Department now states that it has no objection to extending on the basis of reciprocity, to Dutch trade commissioners who may be assigned to the United States, and their families, the privilege of importing articles for their personal use free of duty at any time during their official residence on the understanding that such officers shall be nationals of the Netherlands and not engaged in any private occupation for gain in this country, and that no article, the importation of which is prohibited by the laws of the United States shall be imported by them.

You are instructed to advise the Foreign Office in the above sense and to inquire whether the Netherland Government would be willing to extend similar privileges to American trade commissioners and assistant trade commissioners assigned to the Netherlands and its colonial possessions.

A copy of this instruction is being sent to the Consul General at Batavia for his information.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

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<sup>1</sup> Not printed.



611.56241/57

*The Minister in the Netherlands (Emmet) to the Secretary of State*

No. 583

THE HAGUE, November 12, 1936.

[Received November 24.]

SIR: I have the honor to refer to the Department's Instruction No. 269, of June 23, 1936, upon receipt of which a note was sent to the Ministry of Foreign Affairs, (No. 288, of July 2, 1936), a copy of which is enclosed.

A satisfactory reply, a copy and translation of which are enclosed, has just been received from the Minister of Foreign Affairs, from which it will be seen that, on a reciprocal basis, the Netherlands Government agrees to our suggestions.

Respectfully yours,

GRENVILLE T. EMMET

[Enclosure 1]

*The American Minister (Emmet) to the Netherland Minister for Foreign Affairs (De Graef)*

No. 288

THE HAGUE, July 2, 1936.

EXCELLENCY: I have the honor to inform Your Excellency that the American Government has received information to the effect that American Trade Commissioners in the Netherlands Indies are allowed free entry for their effects, including their automobiles, upon first arrival and upon return from leave of absence in the United States, but not at any other time. The American Government also understands that the privilege of free entry at any time may be extended to such officers by a reciprocal agreement between the American Government and that of the Netherlands.

The American Treasury Department has informed the Department of State that it has no objection to extending on the basis of reciprocity, to Netherlands Trade Commissioners assigned in the United States and their families, the privilege of importing articles for their personal use under the understanding that such officers shall be nationals of the Netherlands and not engaged in any private occupation for gain, and that no article the importation of which is prohibited by the laws of the United States shall be imported by them.

I am consequently instructed by my Government to inquire whether the Netherlands Government would be willing to extend to American Trade Commissioners and Assistant Trade Commissioners assigned to the Netherlands and its colonial possessions privileges similar to those which the American Treasury Department has expressed its willingness to extend to Netherlands Trade Commissioners within the United States.

I avail myself [etc.]

GRENVILLE T. EMMET

[Enclosure 2—Translation]

*The Netherland Ministry for Foreign Affairs to the American Legation*

## NOTE VERBALE

In reply to the *Note Verbale* from the Legation of the United States of America No. 288, of July 2nd, last, the Royal Ministry of Foreign Affairs has the honor to inform the above-named Legation that the Netherlands Government is disposed to grant to commercial agents and assistant commercial agents of the United States of America domiciled in the Netherlands or in the Netherlands overseas territories, on condition of reciprocity, freedom from customs duties on goods which they import from abroad for their personal use (or for the use of members of their family), provided that they are foreigners and that they do not fulfil any other function nor carry on any trade in the Netherlands or in the Netherlands overseas territories.

The necessary instructions have already been given to the competent authorities.

THE HAGUE, November 10, 1936.

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**DISCUSSION RESPECTING AN ARRANGEMENT BETWEEN THE UNITED STATES AND THE NETHERLANDS AND NETHERLANDS INDIES GOVERNMENT FOR THE PREVENTION OF DOUBLE TAXATION<sup>2</sup>**

811.512356 Double/12

*The Secretary of State to the Netherland Chargé (Van Breugel Douglas)*

The Secretary of State presents his compliments to the Chargé d'Affaires ad interim of the Netherlands and with further reference to his note No. 3095 dated September 25, 1935,<sup>3</sup> with regard to double taxation encloses a copy of a letter from the Acting Secretary of the Treasury<sup>4</sup> explaining in detail the reasons why the Treasury Department after careful consideration of the supplementary information contained in the Legation's note is nevertheless constrained to adhere to its previously stated finding that the system of taxation prevailing in the Netherlands Indies does not satisfy the requirements of Section 131 (a) (3) of the Revenue Act of 1934.<sup>5</sup>

WASHINGTON, April 15, 1936.

<sup>2</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 606-613.

<sup>3</sup> *Ibid.*, p. 610.

<sup>4</sup> Not printed.

<sup>5</sup> 48 Stat. 680, 719.

811.512356 Double/13

*The Secretary of State to the Netherland Chargé (Molekamp)*

The Secretary of State presents his compliments to the Chargé d'Affaires ad interim of the Netherlands and with further reference to his note No. 2197 of August 6, 1934,<sup>6</sup> with regard to double taxation, encloses a copy of a letter from the Acting Secretary of the Treasury<sup>7</sup> explaining in detail the reasons why the Treasury Department after careful consideration of the provisions of the decree issued by the Netherlands Minister of Finance on April 17, 1928 (*Official Gazette* No. 76) is of the opinion that the decree does not satisfy the similar credit requirement of section 131 (a) (3) of the Revenue Act of 1934 or the corresponding provisions of the Revenue Acts of 1932<sup>8</sup> and 1928<sup>9</sup> and holds, therefore, that a citizen of the Netherlands who is a resident of the United States, in computing his tax liability to the United States, is not entitled to a credit on account of the amount of any income, war profits or excess profit taxes paid or accrued during the taxable year, beginning with the year 1928, to any foreign country.

WASHINGTON, May 25, 1936.

811.512356 Double/15

*The Netherland Minister (Van Haersma de With) to the Secretary of State*

No. 2270

The Minister for the Netherlands presents his compliments to the Honorable the Secretary of State and begs leave to refer to Mr. Hull's note of May 25, 1936, No. 811.512356 Double/13, on the subject of double taxation.

The Netherland and Netherland Indian Tax Authorities wish Jonkheer van Haersma de With to point out to the appropriate United States Authorities that American citizens residing in the Netherlands or in the Netherlands Indies are granted exemption from taxation on the most important sources of income derived not only from the United States but from all countries, other than the Netherlands or their overseas territories.

The Netherland and Netherland Indian Tax Authorities, therefore, wonder if it is not possible for the United States Tax Authorities to continue to take the view that their countries allow to citizens of the United States a similar credit within the meaning of section 131 (a)

<sup>6</sup> *Foreign Relations*, 1935, vol. II, p. 606.

<sup>7</sup> Not printed.

<sup>8</sup> 47 Stat. 169.

<sup>9</sup> 45 Stat. 791.

(3) of the Revenue Act of 1934 and the corresponding provisions of the Revenue Acts of 1932 and 1928.

The Netherland Minister would feel obliged if the Secretary of State would put the matter stated above before the appropriate Authorities of the United States.

WASHINGTON, September 8, 1936.

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811.512356 Double/16

*The Secretary of State to the Netherland Chargé (Van Breugel  
Douglas)*

The Secretary of State presents his compliments to the Chargé d'Affaires ad interim of the Netherlands and, with further reference to the Minister's note of September 8, 1936, concerning double taxation, quotes below the essential portions of a letter which has now been received from the Treasury Department:

"The Minister for the Netherlands observes that American citizens residing in the Netherlands and/or the Netherlands Indies are granted exemption from taxation on the most important sources of income derived not only from the United States but from all countries other than the Netherlands or their possessions.

Under the existing Federal income tax laws and the regulations promulgated thereunder an alien residing in the United States in computing his Federal income tax liability is permitted to credit such tax with the amount of any income, war profits or excess profits taxes paid or accrued during the taxable year to any foreign country, if the foreign country of which such alien resident is a citizen or subject in imposing such taxes allows a similar credit to citizens of the United States residing in such country. Section 131 of the Revenue Act of 1936<sup>10</sup> and the corresponding section in prior revenue acts.

A country satisfies the similar credit requirement of section 131 *supra* either by allowing to citizens of the United States residing in such country a credit for the amount of income taxes paid to the United States, or, in imposing such taxes, by exempting from taxation the incomes received from sources within the United States by citizens of the United States residing in such country.

The phrase 'the incomes received from sources within the United States' means any item of income which may be received from sources within the United States. See Article 131 of Regulations 86 promulgated under the Revenue Act of 1934 and the corresponding articles in the regulations promulgated under prior revenue acts (the regulations under the Revenue Act of 1936 are now in course of preparation).

Items of income from sources within the United States not included in the resolution of April 17, 1928 (*Official Gazette* No. 76) and the ordinance of May 5, 1934 (*Indian Official Gazette* No. 921) are subject to taxation in the hands of American citizens residing in the

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<sup>10</sup> Approved June 22, 1936; 49 Stat. 1648.

Netherlands and/or the Netherlands Indies. For that reason it cannot be said that the Governments of the Netherlands and the Netherlands Indies satisfy the similar credit requirements of section 131 *supra* for any taxable period since the passage of the resolution of April 17, 1928, and the ordinance of May 5, 1934.”

The Department is constrained to adhere to the position stated in its letters of October 2, 1934,<sup>11</sup> December 19, 1934,<sup>12</sup> April 8, 1936, and May 15, 1936.”<sup>13</sup>

WASHINGTON, October 21, 1936.

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[An order rescinding exemption from taxation granted to American citizens residing in the Netherlands was published in the Netherlands *State Journal* No. 63, April 5, 1937 (811.512356 Double/17).]

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<sup>11</sup> See note of October 16, 1934, to the Netherland Chargé, *Foreign Relations*, 1935, vol. II, p. 607.

<sup>12</sup> See note of January 26, 1935, to the Netherland Minister, *ibid.*, p. 609.

<sup>13</sup> Neither printed.

## NORWAY

### PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND NORWAY<sup>1</sup>

611.573 Whale Oil/50

*Memorandum by the Assistant Secretary of State (Sayre)*

[WASHINGTON,] March 26, 1936.

The Norwegian Minister,<sup>2</sup> calling to see me this morning, spoke first with regard to the Tonry Bill for the repeal of the tax on whale oil. The Minister spoke of his hope that the Secretary of the Treasury might write a letter to the Ways and Means Committee, urging the repeal of the whale oil tax on the ground that the present tax, which results in a complete cessation of imports, yields the Treasury no revenue, whereas, with the tax repealed, imports of whale oil from Norway would yield the Treasury a substantial amount. It is therefore hoped that the repeal of the whale oil tax may be looked upon as a provision to yield revenue and, as such, secure sufficient support for its passage. The Minister asked if it would be possible for the State Department to suggest to the Treasury Department the writing of such a letter.

I promised the Minister that I would get in touch with the Treasury Department today. I said that naturally I could not say what would be the reaction of the Treasury Department and that the writing of such a letter of course would be a question for the Treasury Department itself to decide. I said nevertheless that I would be glad to bring it to the attention of the Treasury Department. (I asked Mr. Feis<sup>3</sup> to take the matter up with some of the Treasury Department officials. Mr. Feis, who is going over to the Treasury Department to discuss other matters, will take Mr. Minter<sup>4</sup> with him and will bring to the attention of the Treasury Department the Norwegian Minister's suggestions.)

The Minister then spoke about the possibility of a trade agreement between the United States and Norway. He said that naturally the making of a trade agreement would depend upon a reduction of the whale oil tax. He asked whether, if Congress should vote against the

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<sup>1</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 620-627.

<sup>2</sup> Wilhelm Munthe de Morgenstjerne.

<sup>3</sup> Herbert Feis, Economic Adviser.

<sup>4</sup> John R. Minter, of the Division of Western European Affairs.

passage of the Tonry Bill, the adverse vote of Congress would prevent the making of a trade agreement reducing the tax. I replied that it would depend very much on what might take place. I said that if the Tonry Bill should not come up for a vote the way would seem to be open for the making of a trade agreement in which the whale oil tax could be reduced. If, however, the Tonry Bill should be voted upon, and particularly if it should be debated and Congress should vote against its passage, it might be politically impossible, in that event, for the State Department to take an action which might in the eyes of Congress seem to nullify the effects of its vote. I told the Minister that in a word it was impossible to answer his question because everything would depend upon the way in which the Tonry Bill came up and the nature of Congress' action with respect to it.

F[RANCIS] B. S[AYRE]

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611.573 Whale Oil/64

*Memorandum by the Secretary of State*

[WASHINGTON,] May 20, 1936.

The Minister of Norway called and introduced the Counselor of his Legation, Mr. Jorgen Galbe, who, he said, would act for him during his coming three months' absence in Norway.

The Minister finally brought up his whale oil proposition, and I reviewed our efforts to get tariff relief, expressed my strong condemnation of the whale oil tax and insisted that it should be repealed at the earliest possible date. I stated that I was keeping the leaders of both Houses of Congress reminded of the matter, but I saw no possible way for tariff legislation or its equivalent to be considered during the remaining days of this session. We again reviewed the trade relations between the two countries.

The Minister then changed the subject and remarked that his country and many of the Balkan countries felt that the collective peace system had broken down and that they were in a state of deep concern as to the future course and attitude of peaceful nations towards suitable policies to promote and preserve peace; that he knew his Government would be much interested to have the benefit of anything in my mind as to the attitude and possible course of this Government with respect to these phases.

I replied that there was nothing I could say more than to sum up the objectives and efforts to attain them on the part of this Government to date. I said that these comprised three major objectives:— (1) to bring the 22 American nations closely together for all mutually-

desirable cooperative purposes as might be deemed at all feasible or possible by each country; (2) to propose and carry forward in every possible way a comprehensive and basic economic program for world economic rehabilitation in order to promote increased employment, business, and commerce, and hence the welfare of peoples everywhere; and, (3) to stand for the restoration of many other desirable international relationships, including those pertaining to the restoration of international law, morals, the sanctity of contracts and agreements, etc., etc., these undertakings revolving around the spirit and the policy of the Kellogg Pact,<sup>5</sup> with the primary object of developing the most solid foundation for a permanent peace structure, the economic portion constituting the most important part of such foundation. I added particularly that in all circumstances, this Government would refrain from any relationships that might make possible political or other involvements of an objectional nature from this country's standpoint.

CORDELL HULL

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611.5731/141

*Memorandum by the Secretary of State*

[WASHINGTON,] June 20, 1936.

The Norwegian Minister called to say goodbye before sailing next week for a two months' visit to his home. He had nothing of any importance to say, except that, from reading the foreign press and carefully observing the drift of sentiment among the public and statesmen abroad, he felt there was a definite opinion already formed to the effect that our economic program here offered by far the best if not the only agency at all adequate to bring back both economic and military peace. I expressed my gratification, and added that I had the same impression.

I then suggested that if his and statesmen of other countries would take advantage of every occasion to proclaim to the world the merits and the necessity of this program, it would be of much educational benefit in the development of favorable public opinion. I further remarked that the great danger was that too many countries would float along and wait for the economic ills virtually to cure themselves before taking any affirmative steps, with the result that disaster would inevitably overtake many parts of the world again; that if, for example, the British Government had joined this Government two years ago in active support of our economic program, other countries would have been actively enlisted in the movement and all possible attention

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<sup>5</sup> Treaty for the Renunciation of War, signed at Paris, August 27, 1928, *Foreign Relations*, 1928, vol. I, p. 153.



would have been given at every stage during the past two years to economic conditions in each important section and country and to methods of their improvement, with the result that in all probability the Italian's economic situation would have been receiving such attention and such action as would have avoided the steps of aggression finally taken largely under economic pressure; that if the nations should float along still further without any action, they would see still other uprisings and see the world moving still further in the direction of international anarchy; and that again I desired to express the hope that the statesmen of Norway would lose no opportunity to cooperate in educating public opinion relative to this vital problem.

C[ORDELL] H[ULL]

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611.5731/143 : Telegram

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

OSLO, August 31, 1936—11 a. m.

[Received 2 p. m.]

50. Morgenstjerne, Norwegian Minister to Washington, has asked me on behalf of this Government to ascertain as soon as possible whether the American Government would agree to consider a Norwegian move to negotiate a preliminary trade agreement respecting a limited number of items prior to negotiating a broader agreement later. He prefaced his inquiry by stating frankly that Norway's principal consideration inducing desire for trade agreement with us is hope of regaining American market for whale oil. Accordingly, in order to open an American market to Norwegian whale oil, Morgenstjerne indicated that his Government might be prepared to accord improved import facilities to a limited number of American products. Furthermore, since whaling expeditions start December 1st the time element from the Norwegian Government point of view constitutes an important factor. Hence the Norwegian Government desire to reduce to a minimum the period required for public hearings in Washington through limiting this suggested preliminary agreement to as few items as possible. It was suggested, for example, that Norway might grant a concession on American automobiles to compensate us for corresponding concession on whale oil.

Compare in the above connection similar Norwegian point of view conveyed to Department by Minister Philip's despatch No. 509, August 11, 1934.\* Our preliminary survey here indicates desirability of binding present tariff treatment on the following American imports into Norway: Raw cotton, naval stores, toilet soap, cellulose, lacquer, automobile tires, tobacco, office machines, motion picture films and

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\* Not printed.

electric refrigerators. The most important items to be recommended for duty reductions include: apples, pears, dried and canned productive packing house products, salmon, silk hosiery and motor vehicles. It is expected that all commodity digests should be completed and transmitted by September 15. I do not believe the Norwegians would be willing to make concessions on more than two or three items in return for any import facilities granted to their whale oil. I am also convinced that while rejection of Norwegian proposal for preliminary agreement would be disappointing to Norwegians it would not be a serious impediment to negotiation of general trade agreement. Please telegraph our Government's decision on the above Norwegian proposal for communication to Morgenstierne.

BIDDLE

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611.5731/143 : Telegram

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

WASHINGTON, September 2, 1936—3 p. m.

24. Your 50, August 31, 11 a. m. You may informally say to Morgenstierne that while we thoroughly understand the desire of the Norwegian Government to negotiate a limited agreement at an early date and appreciate the frankness with which he has raised the question, we are doubtful whether we are in a position to announce such negotiations at this time. However, we are continuing to study the matter carefully and if it should prove practicable to give favorable consideration to such a proposal we will promptly inform you to that effect.

HULL

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611.5731/151 : Telegram

*The Chargé in Norway (Patterson) to the Secretary of State*

OSLO, November 17, 1936—11 a. m.

[Received November 17—9 a. m.]

61. The Legation's despatch No. 214, July 11 last.<sup>7</sup> Mr. Bull-Ovrevik<sup>8</sup> has just written Minister Biddle and has telephoned to me from Bergen to emphasize his views that Norwegian interest in possible reciprocal trade agreement is based on desire to obtain United States market for whale oil, that this interest will subside if negotiations are not initiated and concluded by end of current year since the 50 percent reduction in tax possible under Trade Agreement Act<sup>9</sup> will be of practical benefit to Norwegian interests only in year of

<sup>7</sup> Not printed.

<sup>8</sup> Hans Bull-Ovrevik, Norwegian businessman of Bergen, Norway.

<sup>9</sup> Approved June 12, 1934; 48 Stat. 943.

drought such as 1936. If such prompt action is not possible complete removal of whale oil tax alone will interest Norwegians. Mr. Bull linked importation of American automobiles, Norwegian road building program, whale oil and trade agreement in evident desire to show advantages and also possible disadvantages to American interests which might ensue should trade agreement negotiations not be pushed. Foregoing expression of view telegraphed in view of Mr. Bull's connection with Foreign Office officials.

PATTERSON

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611.5731/151 : Telegram

*The Acting Secretary of State to the Chargé in Norway (Patterson)*

WASHINGTON, December 3, 1936—2 p. m.

30. Legation's No. 61, November 17, 11 a. m. For your information:

1. The Norwegian Minister called at the Department on November 18 and orally expressed the earnest desire of his Government to enter into negotiations as soon as possible with a view to concluding a limited trade agreement as soon as possible after January 1st and in any case before the end of the whaling season. The Minister amplified the request during subsequent conversations, asking that the American Government indicate a few agricultural exports to Norway on which concessions were desired.

2. On November 28 the Minister was informed that this Government would not be in a position to enter into conversations regarding a trade agreement with Norway until the renewal of the Trade Agreement Act by Congress. He was also informed of the objection in our opinion to a limited agreement as contrasted to a general agreement, and was reminded that the present interest in negotiating an agreement is the first displayed by the Norwegian Government since our intimation in July 1934 that we were prepared to discuss the possibilities of an agreement with Norway.<sup>10</sup>

3. We propose to continue to give careful consideration and study to the terms of a possible agreement with Norway in the hope that such studies will serve greatly to expedite the progress of any preliminary conversations which might later be undertaken with the Norwegian Minister and, eventually, the conclusion of a trade agreement should a basis for such an agreement be developed. In the meantime, no publicity whatever should be given to the fact that we are undertaking such studies as publicity might give rise to premature conclusions in both countries and cause unnecessary disturbance to the trade.

MOORE

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<sup>10</sup> See telegram No. 12, July 19, 1934, to the Minister in Norway, *Foreign Relations*, 1934, vol. II, p. 650.

## POLAND

### REPRESENTATIONS AGAINST HARSH TREATMENT OF AMERICAN CITIZENS ARRESTED IN POLAND FOR ALLEGED VIOLATION OF POLISH FOREIGN CURRENCY REGULATIONS

860c.5151/71 : Telegram

*The Ambassador in Poland (Cudahy) to the Secretary of State*

WARSAW, April 27, 1936—3 p. m.  
[Received April 27—1:25 p. m.]

33. Exchange restrictions in form of control transactions in gold and foreign currencies instituted today. Detailed regulations regarding foreign exchange operations will be forwarded by mail.<sup>1</sup> Briefly, Bank of Poland and "foreign affairs currency banks" to be designated by the Minister of Finance will have under direction of a foreign currencies committee a monopoly on transactions in Poland in foreign exchange. All sales and purchases of foreign exchange must be made through this monopoly at official rate established by Bank of Poland. Permits necessary for following: purchase, export, or transfer abroad of foreign currencies; placing of funds at the disposal of foreigners; transactions in gold or the import or export thereof; and extension of credits or guarantees to foreigners for the payment of obligations.

Mail communication of the Polish Ministry of Finance today assured Consulate General that service on Polish obligations held by American investors would be continued in New York as heretofore and that funds for Dillon, Read<sup>2</sup> installment due June 1st have already been transferred.

CUDAHY

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360c.1121 Zarzycki, Stephen/2 : Telegram

*The Secretary of State to the Chargé in Poland (Nielsen)*

WASHINGTON, July 18, 1936—3 p. m.

37. Please check immediately the facts in the Zarzycki and Pulmanowski cases<sup>3</sup> as reported in despatches Nos. 423 and 437 of June

<sup>1</sup> Not printed. For a translation of President Moscicki's decree of April 26, 1936, see Foreign Bondholders Protective Council, Inc., *Annual Report, 1936* (New York, 1937), p. 693.

<sup>2</sup> Dillon, Read & Co., investment bankers, New York, N. Y.

<sup>3</sup> Stephen Zarzycki had been arrested by Polish customs officials at Gdynia on June 2, 1936, and Feliks Pulmanowski had been arrested at Zbaszyn on June 13. Both persons had been held in jail for many days awaiting trials, which were finally called on June 30, and July 29, respectively. Subsequently, these persons were released and permitted to return to the United States.

24 and 25 from the Consulate General,<sup>4</sup> and seek an early interview with a responsible official of the Ministry of Foreign Affairs with a view to protesting against the harsh treatment accorded these American citizens and, if they are still imprisoned, bringing about their immediate release.

You should state that your Government is seriously disturbed at the imprisonment in Poland of these American citizens on account of alleged violations of Polish exchange regulations based solely upon the failure to declare documents such as American savings bank books and American postal saving certificates which constitute merely evidence of their ownership of funds in the United States. In protesting against the treatment of American citizens as in these cases you should insist that immediate action be taken by the Polish authorities to effect their release if still held and the return of the documents in question pointing out that no Polish interest could apparently be injured by the legitimate possession of such purely American documents by American travelers and that this Government will have to consider issuing an appropriate public warning to American citizens contemplating visiting Poland unless assurance is received that such harsh treatment in connection with the enforcement of the Polish foreign exchange regulations will be immediately and permanently discontinued by local Polish authorities.

Please instruct Consulate General to render immediate and effective assistance to innocent American travelers encountering harsh treatment at Polish border points. Such cases should not be handled in a routine fashion.

HULL

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360c.1121 Zarzycki, Stephen/3: Telegram (part air)

*The Chargé in Poland (Nielsen) to the Secretary of State*

WARSAW, July 23, 1936—3 p. m.

[Received July 24—3:10 p. m.]

67. Complied with your telegram of July 18, 3 p. m., in a conversation yesterday with Undersecretary of State.<sup>5</sup> Embassy has this noon been informed by Foreign Office that the Minister for Finance<sup>6</sup> has called for July 29, and that he will personally preside over a meeting of the chiefs of customs offices from all border stations. Instructions already have been sent to border officials to administer regulations less rigidly.

NIELSEN

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<sup>4</sup> Neither printed.

<sup>5</sup> Count Jan Szembek.

<sup>6</sup> Eugenjusz Kwiatkowski, also Vice Premier.

360c.1121 Zarzycki, Stephen/4 : Telegram

*The Secretary of State to the Chargé in Poland (Nielsen)*

WASHINGTON, July 28, 1936—6 p. m.

42. Your telegram No. 67 of July 23, 3 p. m. Please cable immediately whether Zarzycki and Pulmanowski have been released and their property returned to them. If not, you should ascertain and report measures proposed by the Polish Government to effect such action.

Department has just received despatch No. 444 of July 3, 1936, from the Consulate General<sup>8</sup> reporting the case of Mrs. Nadler Haber.<sup>9</sup> You should cite her case to the Foreign Office along the line of the Department's telegram No. 37 of July 18, 1936, protesting against the harsh treatment accorded her for what at the most would amount to a minor technical infraction of Polish exchange restrictions. If her property was not returned to her when she was released, you should take appropriate steps to obtain its return. Embassy should investigate into and request explanation of the delay in the delivery of the letter addressed to Consulate General by Mrs. Haber.

Please instruct the Consul General to report promptly by telegram all cases in which American citizens are imprisoned in connection with foreign exchange restrictions. In flagrant cases such as that of Mrs. Haber Consul General should send an officer to investigate case on spot.

HULL

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360c.1121 Zarzycki, Stephen/5 : Telegram

*The Chargé in Poland (Nielsen) to the Secretary of State*

WARSAW, July 29, 1936—4 p. m.

[Received 8 : 05 p. m.]

70. Your undated No. 42.<sup>10</sup> Zarzycki and Pulmanowski have been released and their property returned to them. Protest was made by the Embassy, June 22, in Haber case. Enclosure to despatch No. 1183, June 25,<sup>8</sup> should have contained the statement that the Embassy had been informed by Foreign Office that the latter was bringing to the at-

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<sup>8</sup> Not printed.

<sup>9</sup> Dorothy Nadler (Mrs. Joseph) Haber was arrested at Gdynia on June 2, 1936, when preparing to embark on the S. S. *Pilsudski* for New York, because several American savings bank books had not been declared. She was held in jail, her letter to the American Consulate General in Warsaw was delayed many days, before her trial on June 26. She was sentenced to 22 days imprisonment, which was commuted, and fined 250 zlotys. Before her effects were returned and she was let go, she was required to sign a release for damages or future claims. (360c. 1121/13 ; 360c. 1121 Haber, Dorothy N./1, 5).

<sup>10</sup> The original in the Department files is dated July 28, 6 p. m., *supra*.

tention of the Ministry of Justice the circumstance under which Mrs. Haber was detained with a view to making impossible a similar case. Consulate General has requested explanation of the delay in the delivery of her letter. Her property was returned to her.

I shall cable résumé of the result of the conference called for today by Minister of Finance immediately that information becomes available.

NIELSEN

860c.5151/83 : Telegram

*The Chargé in Poland (Nielsen) to the Secretary of State*

WARSAW, July 30, 1936—5 p. m.

[Received July 30—1:55 p. m.]

71. My No. 67, July 23, 3 p. m.; and 70, July 29, 4 p. m. Foreign Office states that at the conference yesterday, chiefs of frontier customs offices were instructed to treat all foreigners with great leniency except when there is proof or well-founded suspicion of smuggling. Currency restrictions are not to apply in future to blank checks or to unsigned travelers checks. Foreign Office has asked Ministry of Justice to request all courts to inform the Foreign Office immediately that a foreigner is brought before them on charges of violating currency regulations and to place such cases at the head of the court calendar.

In my opinion the foregoing, if sympathetically administered, will afford to American travelers the relief we have requested.

NIELSEN

360c.1121 Galewska, Mina/4 : Telegram

*The Chargé in Poland (Nielsen) to the Secretary of State*

WARSAW, August 26, 1936—3 p. m.

[Received August 26—2:50 p. m.]

79. Consul General's telegram to you August 26, 11 a. m.<sup>11</sup> Foreign Office will endeavor to have the appeal in Mina Galewska case<sup>12</sup>

<sup>11</sup> Not printed.

<sup>12</sup> Mrs. Mina Galewska was arrested on July 9, 1936, at Sniatyn-Zalucie (Zalucze) while in transit on a through train to Rumania on a charge of smuggling \$320 which she had failed to declare on entering Poland. On August 11, at her trial in Kolomyja, she received a suspended sentence of 6 months in jail and was fined 100 zlotys. The prosecutor, however, appealed the verdict as being too lenient, and because of an allegation that the defendant had tried to bribe a Polish customs official. After further detention in Poland, on bail, persistent American intercession took place, until Mrs. Galewska crossed into Rumania on September 29, 1936. (360c.1121/13; 360c.1121 Galewska, Mina/1, 5, 7, 20, 22, 32)

quashed or if unsuccessful in this, it will try to have the appeal heard at a very early date. It is unable at present to state when Galewska will be able to leave Poland.

Foreign Office states that the various matters which have been the subject of representations by the Embassy in connection with arrests of American travellers for violations of currency regulations will be discussed this afternoon by Council of Ministers. Foreign Office hopes that the regulations will be modified. Acting upon suggestion made by the Embassy it will request the Ministry of Finance to issue to customs officers at border stations new and vigorous instructions to the effect that such officers must not treat as though they were smugglers travellers who through ignorance or neglect violate the regulations.

NIELSEN

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360c.1121 Atkinson, Dorothy/13: Telegram

*The Secretary of State to the Chargé in Poland (Nielsen)*

WASHINGTON, August 26, 1936—5 p. m.

51. Your 76, August 21, [25] 3 p. m.<sup>13</sup>

1. Ascertain from Mrs. Atkinson and other available sources all details of what occurred in her case.<sup>14</sup> Obtain and forward same information in all other cases involving Americans that have arisen under exchange regulations. You should submit by next pouch despatch dealing separately and as fully as possible at this time with each case, giving nature of alleged violations and amounts involved, places and dates, action taken by our officials and present status of persons and property.<sup>15</sup> If you believe that in some particular case or cases we should have immediate information, submit details by cable.

2. Personally and as soon as possible inform Minister of Foreign Affairs<sup>16</sup> that in view of assurance heretofore given (your 70, July 29, 4 p. m. and 71, July 30, 5 p. m.) this Government is greatly shocked and disappointed by summary and drastic treatment of American citizens and that if policy now in effect is to be continued it will feel

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<sup>13</sup> Not printed.

<sup>14</sup> Dorothy B. (Mrs. Frederick G.) Atkinson, of Minneapolis, Minnesota, traveling by automobile with her son and daughter to the International Conference of University Women at Cracow (August 24-31) was arrested on August 24 at Schlaupe, and removed to jail in Ostrow, Poland, for alleged irregularities in declaration of foreign currency (360c.1121 Atkinson, Dorothy/22).

<sup>15</sup> In despatch No. 1264, August 31, from the Chargé in Warsaw, there were included 18 memoranda which covered all of the known facts in cases involving Americans which had so far arisen in connection with the Polish exchange regulations (360c.1121/13).

<sup>16</sup> Col. Jozef Beck.



obliged to publicly notify our people of the risk they will encounter in visiting and travelling in Poland. At the same time you should take up with him the cases of all American citizens who are still detained or said to be detained, including several at Sniatyn-Zalucie, and request prompt and satisfactory settlement of all cases including that of Mrs. Mina Galewska whose case is the subject of a separate telegram to you of this date.<sup>17</sup> You should call the Minister's attention to potential personal and property claims of American citizens growing out of the treatment they have experienced and ask for prompt return of any property now held. You should supplement your oral statement to the Minister by an *aide-mémoire*, unless there is valid reason for not doing so.

4. [*sic*] You will say to the Minister that in order that this Government may have a definite understanding of the policy of the Polish Government you will be glad to receive from him a copy of the exchange regulations and a statement in writing as to the manner in which that Government proposes to further enforce the regulations in respect to American citizens.

5. Report by cable on your conversation with Minister for Foreign Affairs.

6. I feel strongly that commissioned officer should have been sent to Ostrow, as directed in last sentence of my 42, July 28, 6 p. m.<sup>18</sup> Inform Consul General.

HULL

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360c.1121/4

*Memorandum by the Secretary of State*<sup>19</sup>

[WASHINGTON,] August 27, 1936.

The Chargé d'Affaires of Poland<sup>20</sup> came in upon my invitation. After some preliminary conversation, I proceeded to say to him that the governments and the peoples of our two countries have been genuine and traditional friends and that I was sure neither would in any circumstances reasonably conceivable engage in any act or utterance that might give serious concern, much less offense, to the other; that in the light of this most agreeable relationship I did feel constrained to very earnestly call the attention of the Polish Government to cer-

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<sup>17</sup> Not printed.

<sup>18</sup> As no commissioned officer was available who spoke Polish, Clerk Thaddeus H. Chylinski, who did speak Polish, had been sent to Ostrow, where he effected the release of Mrs. Atkinson on August 25 (360c.1121 Atkinson, Dorothy/22).

<sup>19</sup> A copy of this memorandum was transmitted to the Chargé in Poland in instruction No. 309, August 31. In the Secretary's telegram No. 54, August 28, 11 a. m., advising that this conversation had occurred, the Chargé was told: "Do not relax your efforts."

<sup>20</sup> Wladyslaw Sokolowski.

tain acts of arrest and imprisonment of American citizens, either when they were not guilty of any violation of Polish law or where they were entirely ignorant of it and could not ascertain the law through lack of ability to understand the Polish language. I said that the people of the United States prize beyond measure those invaluable and inalienable rights of personal liberty which give a citizen placed under arrest the opportunity to consult counsel and the right to bail, which rights were the result of long struggle; and that, therefore, it was scarcely conceivable to the people of this country that an American citizen would be arrested, thrown in jail and kept incommunicado for ten days, or that one of the finest, highest class, American educators like Mrs. Atkinson of Minnesota, would or could be arrested, thrown into a common jail and confined there for 48 hours, when literally no offense had been committed; and that other cases of arrest and summary imprisonment would be occurring with increasing frequency in connection with some recent very stringent Polish law or regulation in regard to the transfer of money in and out of Poland. I said that I had not received the full facts as to most of these published cases of arrest and imprisonment, but that I was expecting them from day to day; that if aggravated cases of imprisonment of our leading citizens, like Mrs. Atkinson, or imprisonment incommunicado over a period of one or two weeks, should be carried much further by Polish officials it would not be possible to explain away the manner in which the Polish law was thus being administered to the American public, and that a wave of serious criticism would sweep over this country against both this Government and the Polish Government; that, therefore, in our accustomed spirit of genuine friendship I felt that each of our Governments would be thoroughly disposed to confer, with a view to ascertaining whether the Polish Government could not remedy this situation without material delay, to the extent that abuses or unfair practices being carried on by customs or frontier officials of the Polish Government might be discontinued. I further stated that the very fact the two peoples and the two Governments are on such close friendly relations suggested to me that this step of adjustment should be taken at an early stage, so as to run the very minimum of risk of any disagreeable feelings being created between the two countries; and that, therefore, I would greatly appreciate it if the Chargé should feel disposed to communicate at once with his Government, setting out fully the views I had expressed.

He replied in the most friendly and agreeable tone, expressing his approval of my purpose and his desire to cooperate to clear up the situation. He said that doubtless some of the subordinate customs officials of his Government were over-zealous in carrying out this very stringent law. He then concluded by saying that he had already com-

municated to his Government the press publication in this country as to some of the cases of arrests and that he would at once send a full communication to his Government detailing our conversation. He showed every disposition to cooperate.

C[ORDELL] H[ULL]

360c.1121/6 : Telegram

*The Chargé in Poland (Nielsen) to the Secretary of State*

WARSAW, August 29, 1936—7 p. m.  
[Received 8 p. m.]

83. When the Minister of Foreign Affairs received me at his residence this afternoon I complied with the instructions contained in your 51, August 26, 5 p. m. and in the first non-confidential paragraph of your 53, August 26, 7 p. m.<sup>21</sup> I gave him some details of certain cases, among them Atkinson and Nordegg<sup>22</sup> and I expressed the earnest hope that the Polish Government would take effective measures to make impossible in the future similar harsh treatment of American citizens accused of violations of the exchange regulations.

The Minister said that although he is not familiar with the details of the several cases, he desired to express in advance his regret for any harsh treatment that Americans had received. He pointed out that the Polish officials at border points on heavily travelled routes have more experience in administering the regulations and normally exercise more discretion than similiar officials at obscure points. He stated that prior to the *démarche* made today by the Embassy his Ministry had taken up with the Prime Minister the matter of the treatment accorded travellers alleged to have violated the exchange regulations and had requested him to instruct the Ministries of the Interior and of Justice to take action that would remedy the situation. I here suggested that the source of the difficulties encountered by these travellers is the failure of local functionaries of the Ministry of Finance to distinguish between actual smuggling and other forms of violation of the regulation.

The Minister said, in conclusion, that he would make a careful study of the *aide-mémoire*<sup>23</sup> which I left with him and that he then would take steps designed to rectify the situation, adding that his Government did not desire to inflict hardship on any Americans.

NIELSEN

<sup>21</sup> Latter not printed.

<sup>22</sup> Sonia (Mrs. Martin) Nordegg was arrested at Rawicz on August 14, 1936, for violation of the Polish exchange regulations. Following American intercession, she was released on bail on August 18; and her passport was restored to her on August 25. (360c. 1121/10, 13)

<sup>23</sup> Not printed.

360c.1121 Galewska, Mina/10 : Telegram

*The Secretary of State to the Chargé in Poland (Nielsen)*

WASHINGTON, August 31, 1936—7 p. m.

58. Your 82, August 29, 1 p. m.<sup>24</sup>

1. I am surprised at Embassy's and Consulate General's failure to ascertain immediately following Mrs. Galewska's arrest the essential facts in her case . . .

2. If Galewska, as appears to be the case, was a through passenger who merely failed to declare, denied having, or concealed American money which was in her possession when she entered Poland and which was still in her possession when she sought to depart therefrom, please protest most vigorously and at once to a responsible official of the Foreign Office along the following lines: Point out the facts mentioned above, state that your government objects to the unreasonable punishment and harsh treatment accorded an American citizen in this case which at most involves a minor technical infraction of the Polish law. (It is obvious in the circumstances that no intent to defraud the Polish state of money existed and that no damage could have resulted to the Polish state had she actually taken the money out of Poland.) You should say most emphatically that your Government is at a loss to understand the failure of the Polish authorities to furnish, in compliance with the requests of the Consulate General of July 30 and August 4, an official transcript of the charges and to furnish, in compliance with your request of August 19, a copy of the verdict, and add that your Government hopes there will be no further delay in furnishing copies of all pertinent court records. Finally, you should press for an immediate satisfactory settlement of this case, which should include the return of money, bail, passport and other property, if any, involved and permission to depart from Poland.

4. I assume this case was brought to the personal attention of the Minister for Foreign Affairs in your conversation of August 29, as directed in the Department's 51, August 26, 5 p. m.

5. Embassy and Consulate General should endeavor to draw a distinction between cases of this type involving minor technical infractions of the regulations, even though deliberate, and those involving smuggling in the generally accepted sense.

HULL

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<sup>24</sup> Not printed.

360c.1121 Galewska, Mina/11 : Telegram

*The Chargé in Poland (Nielsen) to the Secretary of State*

[Extract]

WARSAW, September 1, 1936—3 p. m.

[Received 5 : 50 p. m.]

86. Your telegram No. 58, August 31, 7 p. m.

5. This noon I made to Director of Western Department of Foreign Office<sup>25</sup> the strong protests which your telegram No. 58 instructs. I used vigorous language and pressed for immediate satisfactory settlement of the case. In the conversation I covered all points mentioned in the instruction.

6. The Director undertook to do everything possible to expedite settlement and to insure that in the future we shall be promptly furnished all pertinent court records and other necessary information. He said that subsequent to my conversation with the Minister of Foreign Affairs on August 29 the following action has been taken by the Government: (a) all cases involving violations of the foreign exchange regulations will be handled by a single person in the Foreign Office, thus centralizing control in that Ministry; (b) frontier stations have been sent new and precise instructions to instruct every traveller entering Poland regarding the instruments of payment he must declare. Furthermore, action is to be taken as soon as possible to insure that travellers who are not guilty of actual smuggling will not be harshly treated. The nature of this action has not yet been decided upon, but the matter is receiving careful study. The Director stated that satisfactory results cannot be obtained in a single day and asked, in effect, for patience until the machinery can be worn in.

7. The instruction in the fifth paragraph in your telegram 58, August 31, 7 p. m., will, of course, be complied with.

NIELSEN

360c.1121/14

*The Chargé in Poland (Rose) to the Secretary of State*

No. 1281

WARSAW, September 9, 1936.

[Received September 29.]

SIR: With reference to despatch No. 1264, August 31, 1936,<sup>26</sup> concerning representations made by the Embassy in connection with

<sup>25</sup> Count Jozef Potocki.

<sup>26</sup> Not printed; but see telegram No. 83, August 29, 7 p. m., from the Chargé in Poland, p. 409.

the harsh treatment of Americans charged with violating Polish exchange restrictions, I have the honor to transmit herewith a copy and translation of a circular instruction of September 3, 1936,<sup>27</sup> issued by the Ministry of Foreign Affairs to Polish diplomatic and consular officers abroad. A copy of the instruction was handed to me by the Chief of the Anglo-Saxon Division of the Ministry on September 8, 1936, with the request that it be transmitted to the Department.

The instruction provides that there shall be stamped in the passports of all persons to whom Polish visas are granted a notice in Polish and in the language of the country where the visa is granted calling attention to the requirement that all instruments of payment, papers of value and bonds in the possession of the bearer shall be declared when entering Poland; and that failure to observe this requirement, aside from making it impossible for the traveler to take out of Poland the effects under reference, also renders him liable to legal proceedings. The instruction also requires Polish consulates and consular sections of Polish Embassies and Legations to notify the public of the restrictions orally when visas are issued and also by notices in Polish and in the language of the country posted in conspicuous places in such offices.

Respectfully yours,

HALLECK L. ROSE

360c.1121/17

*The Chargé in Poland (Nielsen) to the Secretary of State*

No. 1324

WARSAW, October 12, 1936.

[Received November 3.]

SIR: With reference to my despatch No. 1264 of August 31, 1936, with which was enclosed a copy of the *Aide-Mémoire* which I left with the Minister for Foreign Affairs when I called on him on August 29 to protest,<sup>28</sup> in accordance with your telegram No. 51, August 26, against the harsh treatment accorded to American citizens who had been arrested in Poland in connection with the enforcement of the Polish foreign currency regulations, I have the honor to report that the Embassy has now received a communication dated October 9, 1936, from the Ministry of Foreign Affairs in reply to my representations to Colonel Beck. A copy and translation of the Ministry's communication are enclosed herewith.

It will be noted that the Ministry's communication is in several respects not responsive to my *Aide-Mémoire*. While the Ministry ex-

<sup>27</sup> Not printed.

<sup>28</sup> Not printed; for report of representations, see telegram No. 83, August 29, 7 p. m., from the Chargé in Poland, p. 409.

presses regret at the treatment of American citizens in connection with the foreign exchange regulations, this regret is modified by the statement that some Americans, through attempts to mislead the customs officials, have clearly violated the Polish regulations. In spite of the fact that I requested from the Minister a statement in writing setting forth the manner in which the Polish Government intends in the future to enforce the foreign currency regulations with respect to American citizens,\* the communication from the Ministry merely states that the Polish Government has taken steps to inform foreigners coming to Poland of the Foreign currency regulations.

It will be recalled that the memorandum<sup>29</sup> attached to my *Aide-Mémoire* of August 29 dealt with the cases of Mina Galewska, Gitele Leifer, Max Bartfield, and Fanny Silberberg, who were the only Americans being detained in Poland on the date in question as far as the Embassy was aware. Very probably the Ministry of Foreign Affairs delayed its reply until these four cases had been settled. The Embassy knows of no American citizens who are at present being detained in Poland on charges of having violated the Polish foreign currency regulations.

Respectfully yours,

ORSEN N. NIELSEN

[Enclosure—Translation]

*The Polish Ministry for Foreign Affairs to the American Embassy*

No. P. II. SZ/21/13/36

NOTE VERBALE

On August 29, last, the Chargé d'Affaires a. i. of the United States of America was good enough to leave with the Ministry of Foreign Affairs an *Aide-Mémoire* of the same date, through which the Embassy of the United States invited the attention of this Ministry to the treatment to which American citizens traveling in Poland had been subjected as a result of the new regulations concerning the control of foreign currencies. While regretting the circumstances under which the above-mentioned regulations have been applied to certain American citizens, such as those mentioned in the memorandum attached to the said *Aide-Mémoire*, the Ministry of Foreign Affairs wishes to state that in a number of cases some American travelers have clearly violated the regulations of the law of April 27, 1936, by trying to mislead the customs officials.

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\* I subsequently reminded the Director of the Western Department and the Chief of the Anglo-Saxon Section of the Foreign Office that the American Government awaited with interest the receipt of this statement. [Footnote in the original.]

<sup>29</sup> Not printed.

Under these conditions the Polish officials charged with the execution of the regulations in question believed themselves obliged to increase their watchfulness during the exercise of their duty.

At the same time the Ministry of Foreign Affairs desires to inform the Embassy that the Polish Government has taken the necessary measures in order that the foreign travelers coming to Poland may be duly informed by the Polish Consulates, as well as by the frontier authorities, of the regulations issued by this Government concerning the control of foreign currencies.

Finally, referring to numerous telephone conversations with the Embassy of the United States, the Ministry of Foreign Affairs wishes to emphasize that the four cases indicated in the memorandum attached to the *Aide-Mémoire* of August 29, last, have been definitely settled.

WARSAW, October 9, 1936.

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DISCRIMINATION AGAINST AMERICAN BONDHOLDERS IN CONNECTION WITH PARTIAL DEFAULTS AND SUSPENSIONS OF PAYMENTS ON VARIOUS POLISH OBLIGATIONS

860c.51/1030

*The Chargé in Poland (Nielsen) to the Secretary of State*

No. 1171

WARSAW, June 12, 1936.

[Received June 30.]

SIR: I have the honor to report that there are only one or two details to be added to my telegram No. 50, June 10, 1936,<sup>30</sup> reporting that Professor Adam Krzyżanowski of Kraków University, and Mr. Józef Rucinski, Counselor of the Ministry of Finance, are to depart for the United States on June 14 for the purpose of explaining to "the interested parties" the general situation with regard to difficulties which Poland anticipates in connection with making future payments on its obligations held in the United States, and the specific situation with regard to each Polish issue held there.<sup>31</sup>

In a series of despatches, the most recent one of which is No. 1097, April 17, 1936,<sup>30</sup> Mr. Cudahy<sup>32</sup> reported the fears of the Embassy that Poland might not be able indefinitely to meet its obligations in the United States, and the conversations which he had held with Colonel Adam Koc, formerly Under Secretary of State in the Ministry of

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<sup>30</sup> Not printed.

<sup>31</sup> For detailed descriptions of the various issues of Polish bonds referred to here and hereafter, see Foreign Bondholders Protective Council, Inc., *Annual Report, 1936* (New York, 1937), pp. 675 ff.

<sup>32</sup> John Cudahy, Ambassador in Poland.



Finance, and others with regard to the matter. The Ambassador reported that one of two possibilities presented itself; either the Polish Government might persuade bondholders in the United States to accept lower rates of interest on their Polish obligations and extension of the period over which the several issues are to be amortized, or it might find itself compelled to suspend payments. In the latter event the Ambassador urged that the Polish Government make an honest, dignified, explanation to American investors a considerable time in advance of the suspension. This suggestion met with Colonel Koc's approval and he undertook to present frankly to the Embassy, for the information of the American Government, the facts of the matter in the event that it should become necessary to suspend payments. It will be recalled that Colonel Koc resigned from the Ministry of Finance some months ago to become the President of the Bank of Poland, and that he subsequently resigned from the latter post. At present he is Commander of the Union of Polish Legionnaires.

In the course of my conversation on June 10 with Count Józef Potocki, Director of the Western Department of the Foreign Office, who had asked me to call on him, he remarked that members of the Government had discussed so frankly with the Ambassador the matter of Polish obligations in the United States that he wished the Embassy to be informed concerning the mission of Professor Krzyżanowski. He added that the Polish Embassy in Washington had been informed by cablegram that he had intended to have with me the conversation that we were having at the moment.

Count Potocki's reference to what clearly are the Ambassador's conversations with Colonel Koc, although the Director did not mention Colonel Koc by name, and an ambiguous reference to Poland's foreign exchange restrictions, cause me to suspect that Professor Krzyżanowski is to prepare the ground for a default by Poland next autumn or winter on all or some of the obligations rather than to attempt a refunding operation. I offer this surmise with some reservation, for Count Potocki was not disposed to make as frank a statement of the facts in the matter as Colonel Koc had led the Ambassador to believe would be made. He sought to avoid questioning by stating that he had not discussed in any detail with Professor Krzyżanowski his mission to the United States and that he therefore could not speak with full authority concerning it. Yet it is quite clear that since Colonel Koc no longer is a member of the Government the Director was designated to give the Embassy the advance intimation of approaching difficulties in making payments on Poland's obligations in the United States that was promised to the Ambassador. His passing-reference to the control of foreign exchange transactions which

Poland has been compelled to institute<sup>34</sup> may have been intended as a move to tie suspension of further payments to that control. Yet the possibility can not be excluded that Professor Krzyżanowski has been given instructions by the Vice Premier<sup>35</sup> to go no further initially than to seek a conversion of some or all of the outstanding issues, with the hope that he may be able to arrange for such favorable terms that a default by Poland will at least be postponed.

Count Potocki intimated that in dealing with its obligations in the United States his Government has it in mind to separate them into two categories; those issues which are the direct obligations of the State, and all other issues. He said that he thought that Professor Krzyżanowski would begin work in New York "where most of the obligations are concentrated" and that, of course, he would have the collaboration of Mr. Janusz Żółtowski, Financial Counselor of the Polish Embassy at Washington. He added, as was reported in the telegram under reference, that it would be left to Professor Krzyżanowski and Mr. Rucinski to decide whether it would be advisable for them to proceed to Washington for the purpose of consulting with officials of the American Government. I gathered the impression that Professor Krzyżanowski will consult with the Polish Ambassador<sup>36</sup> before taking a decision in this matter. Upon my departure, after thanking Count Potocki for the information he had given me, I told him that I thought it quite probable that Professor Krzyżanowski would find it worth his while to have conferences with officials of the State and Treasury Departments.

The Polish press this afternoon carries a brief announcement to the effect that Professor Krzyżanowski and Mr. Rucinski are leaving for the United States for the purpose of explaining to Americans the economic situation in Poland and the significance of Polish foreign exchange restrictions.

Respectfully yours,

ORSEN N. NIELSEN

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86oc.51/1029a : Telegram

*The Acting Secretary of State to the Chargé in Poland (Nielsen)*

WASHINGTON, June 27, 1936—1 p. m.

33. According to press despatch from London dated June 26, published in *New York Times* June 27, the *Financial News* of London has stated that it understood from authoritative sources that Polish Government intended to continue in full all payments due in Britain (pre-

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<sup>34</sup> See telegram No. 33, April 27, 3 p. m., from the Ambassador in Poland, p. 402.

<sup>35</sup> Eugenjusz Kwiatkowski, also Polish Minister of Finance.

<sup>36</sup> Count Jerzy Potocki.

sumably on Polish bonds floated in Great Britain) as the balance of trade between Great Britain and Poland is favorable to Poland which is not the case with the United States.

Please cable Department whether there is any basis for this report.

Department desires to be kept promptly informed, briefly by cable and fully by mail, with regard to any developments indicating any difference in the treatment of British and American holders of Polish bonds. Department desires particularly to be advised of any action taken by the British Government formally or informally in connection with this matter.

CARR

860c.51/1039

*The Chargé in Poland (Nielsen) to the Secretary of State*

[Extract]

No. 1193

WARSAW, July 2, 1936.

[Received July 23.]

SIR:

I then said to the Minister,<sup>87</sup> having in mind telegraphic instruction No. 33, June 27, 1936, that it had come to the attention of the American Government that the *Financial News* of London was reported to have stated that the Polish Government intends to continue in full all payments due in Great Britain, as the balance of trade between Great Britain and Poland is favorable to Poland which is not the case with the balance between the United States and Poland. I inquired whether this statement was correct. The Minister said that his Government had sent an official to London on a mission similar to the mission in the United States of Professor Krzyżanowski but that as yet it has taken no decision as to whether or not it will make a transfer to Great Britain when on October 15 next payments become due on the sterling portion of the 7 per cent. Stabilization Loan of 1927. He made it a point, however, to refer to the power which the British Government possesses to enter into "unilateral clearing arrangements", stating that the British Government had exercised this power in connection with sums due from Germany and from Rumania. Reading between his words it was apparent that the Polish Government does not care to expose itself to similar action on the part of the British Government, and I am of the opinion that payments in England will be made as they fall due.

<sup>87</sup> Eugenjusz Kwiatkowski.

I asked what the situation is with respect to countries other than the United States and Great Britain. The Minister replied that he could tell me that the situation with respect to France and Italy is the same as that with respect to the United States, and that when on June 22, 1936, payments were due in France on the 6 per cent. mortgage bonds of the Warsaw Land Association, which he said are held by about 6,500 persons in France, no transfer was made. He added that the French Government was informed in advance that it would be impossible to make the transfer and that the sum due would be deposited in zlotys in banks in Poland that may be named by the holders of the obligation. He added that suspension of transfers would affect a large number of people in France for the reason that considerable French capital is invested in Poland. I understood that he here was referring to investments in industrial enterprises, et cetera.

I then stated that I had received no instructions to make any representations or comment, but that if the Minister would permit me for a moment to speak off the record I should like to say that if the Polish Government contemplated basing the treatment it accords to American holders of Polish obligations on the state of the trade balance between Poland and the United States, and if this treatment should be less favorable than the treatment accorded to other foreign holders of the same obligations, I could foresee a lack of accord between the American and Polish Governments. I said that he doubtless was aware, from reports regarding the repeated representations that have been made to the German Government by the American Government, of the point of view of the latter. The Minister made a gesture of assent and then entered into a brief dissertation to the effect that in the last analysis a debtor country can pay its creditors only in goods and services, and that the restrictions against imports and currency transfers that have been imposed by a considerable number of countries the company of which Poland only recently has been compelled reluctantly to join, had prevented Poland from making such payment. I said I was familiar with these factors and that I assumed that he and his Government were aware that the present Administration in the United States long has urged and striven for, through Secretary Hull and other officials, the removal of trade barriers. The Minister said that in his opinion a solution of the difficulties of debtor countries "must be found on some larger scale than exists at present".

Mr. Kwiatkowski then said that he would like to speak for a moment off the record and to say that the present situation in Poland is not merely a passing cloud; it will not pass over in a few months. This frank statement is in distinct contrast to the optimism of official statements which without exception have referred to the exchange restrictions in Poland and to the suspension of transfers as "temporary measures".

Developments in connection with transfers, or failure to make transfers, to foreign countries will be closely watched and reported.

The Polish press has not announced that transfers to the United States have been made in connection with all Polish issues on which payments are due prior to October 1, 1936, nor has it made any reference to the payment due on October 15 on the Stabilization Loan. When I expressed to Mr. Kwiatkowski surprise that these transfers had not been made known he said with a smile: "We don't want them known". It therefore seems apparent that the Polish Government omitted with design in its announcement of the suspension of transfers reference to the date on which the suspension would become effective, thereby preserving for itself freedom of action. It is not impossible that the Government decided to make in the United States the payments in July, and in August, and October next that the Minister stated have been arranged, out of a desire to make a particularly gracious gesture to American holders with the hope that it thereby will acquire merit. It is of interest that the Government failed to approve a transfer to France even before the suspension of transfers was announced.

I may add that the Minister showed signs during the conversation of marked depression. He was not as optimistic and animated as I have known him to be on other occasions. His lowness of spirits may have been due in part to fears concerning the success of his economic program and in part to the attack to which he and his program have been subjected in the press and in Parliament as has been reported in other despatches.<sup>38</sup>

Respectfully yours,

ORSEN N. NIELSEN

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860c.51/1084

*The Acting Secretary of State to the Ambassador in Poland  
(Cudahy)*<sup>39</sup>

No. 329

WASHINGTON, November 27, 1936.

SIR: As soon as possible after your return to Warsaw, you are requested to call upon the Minister for Foreign Affairs<sup>40</sup> and to say to him that it has come to the attention of your Government that while the Polish Government failed to make payment in the United States on October 1, 1936, on account of the 6 per cent Dollar Loan of 1920, the service charges on which fell due on that date, it met the coupons which were due on October 1, 1936, on the bonds of the Silesia-Gdynia

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<sup>38</sup> None printed.

<sup>39</sup> Sent to the Ambassador while en route to his post.

<sup>40</sup> Col. Jozef Beck.

Railway issue held in France. This Government further is informed that the payment due in Italy on November 1, 1936, on the Polish Tobacco Loan, and the payment due in Great Britain on November 15, 1936, on the City of Vilna issue, which was refunded in London in 1931, were also made.

You should say to the Minister that if this information with respect to payments made by the Polish Government in countries other than the United States is correct, these payments constitute discrimination against holders in the United States of a direct obligation of the Polish Government (i. e., the 6 per cent Dollar Loan of 1920) on which that Government in the Loan Agreement of February 26, 1920, unconditionally undertook to make payment in the United States. You should state that the Government of the United States is reluctant to believe that it is the intention of the Polish Government to pursue a policy with respect to the payment of its foreign obligations which will involve discrimination against American holders of Polish obligations, and that your Government has instructed you to obtain assurance that the Polish Government will take effective action to accord to American holders the same treatment that it accords the holders in other countries of its obligations.

Please report briefly by telegraph, and fully by despatch, the result of your conversation with the Minister.

There is enclosed, for your information, a copy of a memorandum <sup>41</sup> which sets forth the facts, so far as they are known to the Department, in connection with the suspension by Poland of payments in the United States.

Very truly yours,

R. WALTON MOORE

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<sup>41</sup> Not printed.

## PORTUGAL

### DISCUSSIONS BETWEEN THE UNITED STATES AND PORTUGAL OF A POSSIBLE EXCHANGE OF NOTES PROVIDING FOR MOST-FAVORED-NATION TREATMENT WITH RESPECT TO SHIPPING<sup>1</sup>

611.5331/158a

*The Secretary of State to the Portuguese Minister (Bianchi)*

WASHINGTON, April 11, 1936.

SIR: I have the honor to refer to conversations which took place at various intervals, and notably in March and July of last year, between yourself and officers of the Department regarding the possibility of an exchange of notes between the United States and Portugal with respect to shipping.

The United States is at present earnestly endeavoring to bring about a substantial reduction of trade barriers and to encourage a return by nations to the principle of equality of treatment in international economic intercourse. In the pursuit of this policy the United States has entered into agreements with several countries providing for reciprocal reductions in duties and general non-discriminatory treatment. Furthermore, negotiations are in progress with a number of countries and it is expected that negotiations will be initiated with several other countries in the relatively near future.

The Act of June 12, 1934,<sup>2</sup> under the authority of which these trade agreements are being entered into, provides that the concessions granted by the United States in agreements with countries other than Cuba, shall apply to articles the growth, produce or manufacture of all foreign countries, except that the President may suspend the application of these concessions to articles the growth, produce or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts or policies which in his opinion tend to defeat the purposes of the Act.

It is my Government's earnest hope that it may be able, in harmony with its policy, to continue, as up to the present, to apply the concessions granted to trade agreements to articles the growth, produce or manufacture of Portugal. To this end I have the honor to propose that negotiations be initiated at once looking to the conclusion of a

<sup>1</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 662-670.

<sup>2</sup> 48 Stat. 943.

*modus vivendi* similar to the draft enclosed with this note which would regularize the general commercial relations between the United States and Portugal.<sup>3</sup> This *modus vivendi* would take the place of the Commercial Arrangement effected by exchange of notes signed at Washington on June 28, 1910.<sup>4</sup>

It will be noted that the United States is prepared to include in the proposed agreement provisions whereby Portuguese producers of certain wines would be definitely assured, as long as the agreement continues in force, that such wines imported into the United States could be identified as products of the regions in which they are produced.

I should be glad to be informed whether your Government is prepared to conclude an agreement of this character and, if so, whether the proposed text meets with its approval.

Accept [etc.]

CORDELL HULL

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611.5331/159

*The Portuguese Minister (Bianchi) to the Secretary of State*

WASHINGTON, April 14, 1936.

I have the honor to acknowledge the receipt of your Excellency's note dated the 11th instant, enclosing the draft of a proposed *modus-vivendi* to be concluded between our two Governments, to take the place of the commercial arrangement effected by exchange of notes signed at Washington on June 28, 1910.

In your note, your Excellency was good enough to outline the general policy of the United States Government in matters commercial and to express the hope that it may be able, in harmony with such policy, to continue, as up to the present, to apply the concessions granted to trade agreements to articles the growth, produce or manufacture of Portugal.

I am forwarding to my Government, without delay, the draft under acknowledgment and shall not fail to inform your Excellency of their reply in due course.<sup>5</sup>

I avail myself [etc.]

BIANCHI

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<sup>3</sup> Draft not printed.

<sup>4</sup> *Foreign Relations*, 1910, p. 828.

<sup>5</sup> No further reply was received. The preliminary discussions were renewed in 1938.



## RUMANIA

### PROTECTION AFFORDED PATENT INTERESTS OF THE UNIVERSAL OIL PRODUCTS COMPANY AGAINST INFRINGEMENT AND ANNULMENT IN RUMANIA

871.542 Universal Oil Products Co./1

*The Minister in Rumania (Harrison) to the Secretary of State*

No. 40

BUCHAREST, January 3, 1936.

[Received January 24.]

SIR: I have the honor to submit the following report for the records of the Department with regard to recent action which the Legation has taken to protect the interests in Rumania of the Universal Oil Products Company of Chicago, Illinois, owners and licensors of the Dubbs petroleum cracking process, whose basic Rumanian patents appeared to be in imminent danger of arbitrary cancellation.

Difficulties in connection with these patents first came indirectly to the attention of this office in November, but the Legation was approached directly for assistance only on December 6, 1935, by Engineer Ion Edeleanu, local representative of the American concern. At that time Mr. Edeleanu called and presented a letter dated November 28, 1935, (copy enclosed),<sup>1</sup> stating that petitions had been filed with the Rumanian Ministry of Industry and Commerce by certain local oil companies, which have apparently been infringing the Dubbs patents in their refineries here, requesting administrative invalidation of the four basic Dubbs patents on the ground that they had not been "exploited" in Rumania in accordance with certain provisions of the Rumanian patent law.

In interviews during the ensuing week with Mr. Edeleanu and attorney Sacha Roman, who, in collaboration with Mr. Micha Djuvara (now Vice President of the Chamber of Deputies) and with Mr. Gregore Iunian (former Minister of Justice), is the legal advisor of the Universal Oil Products Company, the following history of the difficulties was recounted.

The antagonists of the American concern from the outset have been a group of local oil companies controlled by the English "Phoenix Oil & Transport Ltd.", including "Rumanian Consolidated Oil-

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<sup>1</sup> Not printed.

fields Ltd.", "Unirea", "Orion", "Concordia", "Redeventa", and "Dacia-Romano Petroleum Syndicate Ltd."

Negotiations had for many years been conducted with the controlling concern for the conclusion of a contract licensing the Dubbs process for its refineries, but without success. Meanwhile Universal Oil Products Company had reason to believe that, without concluding a licensing agreement, these concerns had actually installed and were operating cracking plants which infringed the Dubbs patents, and in the spring of 1935 applied to the Bucharest Tribunal for an "inquest in futurum" against the "Unirea" concern. This process, which is roughly equivalent to a grand jury investigation, involved the appointment by the court of an expert to determine by actual investigation whether or not the patents were being infringed by "Unirea", particularly in its "Orion" refinery at Ploesti. In the case of an affirmative finding a base would have been established for a suit for damages against "Unirea".

The Tribunal of first instance rejected the application of the Universal Oil Products Company, but the inquest was granted by the Court of Appeals and the investigation took place in August 1935. The expert appointed by the Court concluded that the Rumanian patents of the American firm were, in fact, being infringed by the "Unirea" company.

The next legal step would be the filing of a damage suit against the infringing concern for a sum approximating \$450,000, representing unpaid royalties from 1929 to the present. Such action has not yet been taken.

In the meantime, as a method of reprisal for the action taken by the Universal Oil Products Company, the Rumanian Consolidated Oil Fields Ltd. had, on May 8, 1935, submitted petitions to the Ministry of Industry and Commerce requesting the annulment, respectively, of patents Nos. 5570, 11153, 16833 and 18062 on the ground that they had not been "exploited" within the term of four years from the date of issue of the patents as provided in Article 9, paragraph *c*) of the Rumanian Patent Law of 1906. The other companies associated with Phoenix Oil & Transport Ltd. strengthened the requests of the Rumanian Consolidated Oil Fields concern by submitting identical petitions to the Ministry, attempting thus to give the impression that a large sector of the Rumanian oil industry was affected. The infringing interests retained outstanding legal counsel and tried in every way possible to influence administrative action to the end that these patents, which they had been found to be infringing, should be annulled.

The legal provisions on which the action of the Phoenix group is premised read as follows:

## (Rumanian Patent Law of 1906.)

Article 9. The patent loses its value: <sup>1a</sup>

c) When the owner of the patent has not exploited his patent in the country within a period of four years from the date of the patent, or when the exploitation thereof has been interrupted for a time of two years. . . .

. . . In the cases indicated in *a)*, *b)*, *c)* and *d)* of this article, the nullity is pronounced directly by the Ministry for Agriculture, Industry, Commerce, and Domains.

In all other cases the nullity can be pronounced only after a definitive legal judgment.

The Regulations for the application of the Patent Law, promulgated on April 21, 1906, do not elaborate upon the provisions of the above quoted article. No definite procedure has been established for the administrative invalidation of patents, and I have been informed that there have been no Rumanian precedents for the case in question.

In the present instance the Ministry of Industry and Commerce, upon receipt of the petitions presented by the Phoenix associates, called upon the Universal Oil Products Company to present evidence of the exploitation of the patents in question, in accordance with the law. Although the latter felt that the burden of proof should be placed upon the persons challenging the validity of the patents, since the law was presumably passed for the protection of the inventor, they nevertheless presented a memorandum to show that their legal obligations had been fulfilled, supported by correspondence, certificates, and contracts. Apparently this memorandum was shown to the challengers, who thereupon submitted one of their own. Universal Oil Products Company were in turn called upon to furnish further information, and there has been a continuing submission of memoranda from both sides, culminating, on the part of the patentees, with the presentation of a long, detailed summary on December 11, 1935, covering all phases of the question, and supported by 31 documents and 23 photographs, including such evidence as correspondence with and declarations of licensee concerns, copies of contracts concluded, local publications, and photographs of operating plants. In this summary they declare that the four Dubbs patents were all "exploited" within the legal period, and show, in short, the following:

1) Patent No. 5570 was obtained on September 24, 1920, so that the term for exploitation extended to September 24, 1924. Licensing negotiations started in 1923, the first contract was signed on August 20, 1925, and the first installation was completed in November, 1926. Since that time the process has been in continual use in several Rumanian refineries.

<sup>1a</sup> Omissions indicated in original despatch.

This patent expired on September 24, 1935, 15 years after the date of issue.

2) Patent No. 11153 was issued on January 5, 1925, to be exploited before January 5, 1929. In this case, not only were negotiations started in time, but the necessary installations were actually in operation prior to the expiration of the 4 year limit, and have been since.

3) Patent No. 16833 was issued on May 3, 1929, and, like No. 11153, was in operation before the 4 year period terminated on May 3, 1933.

4) Patent No. 18062 was obtained on February 11, 1930, to be exploited before February 11, 1934. In this case, negotiations were undertaken in due time and the plans and specifications for the first Rumanian installation were completed prior to the expiration of the legal limit. The new refinery using this process started production in the summer of 1935.

The attorneys for the American concern point out that the principal question raised concerns the interpretation given to the term "exploitation" (Rumanian:—"exploitare"). They allege that there is, unfortunately, no precedent for the present case in this country, and that there would be no Court decisions, anyway, since, contrary to general practice in Europe, the Rumanian law provides for administrative rather than judicial invalidation of a patent for failure to "exploit" the invention within the legal term. However, in view of court decisions in similar cases in other European countries having comparable legislation, the representatives of Universal Oil Products Company are convinced that their position as regards the exploitation of an expensive and complicated process is juridically sound. They assert that they would be more than willing to have the whole question settled by the Courts, and that they have in fact attempted to do so. Last summer application was made to the local Tribunal for the appointment of a technical expert to determine "whether the inventions are being exploited in the country, since when and with what interruptions of at least two years." On September 24, 1935, a negative decision was returned, the Court holding that it was not competent in the matter, since the law specifically vested responsibility for such investigations in the Ministry of Industry and Commerce.

Nevertheless, in order to keep the dispute out in the open, an appeal from the decision was filed by the Universal Company representatives, which is now pending. At the same time a further step was taken to keep the question in litigation; an application was made to the Civil Court for a second "inquest in futurum", through which the patentees hoped to have recorded, under oath, all evidence concerning the patents and their exploitation. This application is likewise pending.

During all the time since the filing of the invalidation requests last May, the Universal Oil Products Company has had no official information from the Ministry of Industry and Commerce as to the procedure to be followed, or the action contemplated. As stated above,

they have merely been permitted to read the memoranda submitted by the Phoenix associates, and invited, orally, or by letter, to reply thereto. From private sources of information, however, they have learned of all movements in the case, and a number of factors have kept them in constant fear that unwarranted, arbitrary action might be taken at any moment, which would leave them facing the disastrous "fait accompli" of the cancellation of their patents.

Messrs. Edeleanu and Roman claimed, for example, that the memoranda of their opponents were filled with irrelevant, impertinent trivialities, intended to confuse the issue. The chief attorney selected by the Phoenix group was Mr. Aurel Benteoiu, a prominent and influential member of the Liberal Party who was recently, during the course of the litigation, appointed Undersecretary of State at the Ministry of Justice. It was asserted that Mr. Benteoiu appeared in Court on September 24, 1935, the day following the publication of the decree of appointment, to plead as a representative of the Phoenix interests against the Universal Company's application for the appointment of a technical expert. While technically correct, since he had not yet taken the oath of office, his appearance obviously tended to exercise a weighty influence. Shortly after Mr. Benteoiu's assumption of office, the complete dossiers of this case were, at his request, taken from the hands of the Patent Office and turned over to the Legal Division of the Ministry; the latter, while located in the Ministry of Industry and Commerce, is responsible to the office of the Undersecretary of State at the Ministry of Justice.

Another factor in the case has been the influence apparently brought to bear upon Mr. M. G. Gheorghiu, an ambitious younger member of the Liberal Party now Secretary General of the Ministry of Industry and Commerce, and the resulting interest which he has shown in the cancellation of the patents. The representatives of the Universal Company claimed to have been reliably informed that the Secretary General, and the Minister as well, had on occasion made statements to subordinate officers of the Ministry of Industry and Commerce to the effect that it was desired to "find a way to cancel these patents".

Neither Mr. Edeleanu nor Mr. Roman implied that the Minister of Industry and Commerce was personally interested in annulling the patents, but both feared that he might be led to lend himself to the schemes of their opponents on the basis of interested advice. They believed that such an eventuality could be guarded against if the Minister, Dr. I. Costinescu, were aware that the Legation had an interest in the matter, and asked my assistance in that sense.

Under the circumstances it did appear that Universal Oil Products Company was in real danger of receiving arbitrary and unfair treatment, the consequences of which would seriously affect this American

concern. Accordingly, I assured them of the Legation's interest, and took advantage of the first opportunity to mention the case informally in conversation with Dr. Costinescu, on the occasion of a dinner at which we were both guests on Wednesday, December 18. The Minister stated that he knew of the dispute, which was being handled by Mr. Gheorghiu, the Secretary General of his department. "It is a matter", he said, "for the lawyers and the Tribunal, and the American interests have an excellent legal representative in Mr. Djuvara."

There was no opportunity to discuss the matter further at that time, although it was not clear from the Minister's remarks that there was no possibility of invalidation by administrative action, or what the procedure would be to throw the case into the courts for decision.

Mr. Edeleanu was advised of this conversation on the next day, and promptly called at the Legation to express his appreciation for the action which had been taken pursuant to his request.

However, on the morning of December 20, 1935, Messrs. Edeleanu and Roman called at the Legation in a state of great excitement and agitation to say that they had learned that attorney Theodorescu of the Legal Division of the Ministry of Industry and Commerce had just been ordered by Secretary General Gheorghiu to prepare a report (*referat*) for the cancellation of all four contested patents. Dr. Costinescu was scheduled to leave Rumania on the following day for an extended vacation abroad; it appeared that the interested parties had planned to take advantage of this event to have the Decree of Cancellation signed by the incoming ad interim Minister (Dr. V. Sassu, Minister of Agriculture and Domains) on the advice of the Legal Division, then signed by the King and promulgated before the Christmas holidays.

In such circumstances the most expeditious and effective action possible seemed to be the sending of a personal note to Dr. Costinescu, and this was done. I ventured therein, with reference to the Minister's kind reception of my expression of interest in the Dubbs patent case, to say that I had hoped to have an opportunity to speak with him further regarding the case. I asked that he be good enough to request Mr. Gheorghiu, should there be any possibility of the matter coming to a decision during the Minister's absence, to advise me as to when it would be convenient for him to receive the Counsellor of the Legation,<sup>2</sup> to the end that such information as I had received might be put before him.

My note (copy enclosed)<sup>3</sup> was delivered to the Minister at noon of the same day, and has apparently had the desired effect of blocking any immediate action to annul the patents.

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<sup>2</sup> George Wadsworth.

<sup>3</sup> Not printed.

As may be seen from the enclosed copy of a communication from Universal Oil Products Company,<sup>3a</sup> Dr. Costinescu told attorney Djuvara that afternoon, in effect, that he did not intend to become entangled in the dispute and that he would defer the case to the Courts. In addition, I have been informed by attorney Roman that the Secretary General of the Ministry countermanded his order to the Legal Division on the following morning, expressing considerable annoyance, but saying that nothing would be done during the Minister's absence.

Mr. Edeleanu tells me that his principal, Mr. H. J. Halle of the Chicago office, is prepared to take up this matter with the Department of State should there appear to be further danger of these patents being summarily canceled, and I have therefore prepared this despatch in some detail in order that the Department may be fully informed of the action I have already taken.

Respectfully yours,

LELAND HARRISON

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871.542 Universal Oil Products Co./4

*The Minister in Rumania (Harrison) to the Secretary of State*

No. 56

BUCHAREST, February 22, 1936.

[Received March 6.]

SIR: With reference to my despatch No. 40 of January 3, 1936, File No. 340/854)<sup>4</sup> I have the honor to submit a supplementary report with regard to further action which the Legation has taken to protect the interests in Rumania of the Universal Oil Products Company of Chicago, Illinois, owners and licensors of the Dubbs petroleum cracking process.

It may be well to recall that, according to information presented by the local representative and the attorney of the Universal Oil Products Company, Messrs. Edeleanu and Roman, the four basic Rumanian patents controlling the Dubbs process appeared to be in imminent danger of arbitrary cancelation by the Ministry of Industry and Commerce as a result of the initiative of certain adversaries of the American concern which had been legally found to be infringing the Dubbs process methods in their Rumanian refineries; and that, under the circumstances, I ventured, on December 20, 1935, to make informal representations to Dr. Costinescu, the Minister of Industry and Commerce, which seemed to have the desired effect of blocking any immediate and precipitate action to annul the patents in question.

The matter rested thus for approximately a month.

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<sup>3a</sup> Not printed.

<sup>4</sup> Legation's file number.

On January 28, 1936, Engineer Edeleanu called at the Legation to say that the affair had again become critical, Secretary General Gheorghiu of the Ministry of Industry and Commerce having for a second time ordered attorney Theodorescu of the Legal Division (*Contencios*) of that Ministry to prepare and submit a report (*referat*) calling for the cancelation of the four patents. This report had been unofficially inspected by Messrs. Edeleanu and Roman. According to the former, it called for the nullification not only (1) on the ground of "non-working" in accordance with Article 9, paragraph *c*, of the Rumanian Patent Law of 1906, but also on three other counts subject to administrative determination, namely:

2) that two of the patents should have been registered as "importation" patents, rather than regular ones;

3) that one patent was registered as an independent patent, whereas it represented simply an "improvement" of an existing one;

4) that Universal Oil Products Company had not submitted evidence to prove exploitation—in particular, that the authorizations for construction of the various installations had not been submitted, and that the existence of the plants could not therefore be accepted as proved. (This Mr. Edeleanu described as comparable to doubting the existence of an individual who has not produced his birth certificate. The construction authorizations, incidentally, were issued by a bureau in the Ministry of Industry and Commerce.)

Mr. Edeleanu stated further that the Patent Office, which is normally primarily responsible for all such action, had not even been consulted concerning the preparation of the report.

Although the representatives of the Universal Oil Products Company were informally aware that further charges of invalidity of the patents had been made in memoranda submitted to the Ministry by their opponents, they have never been officially notified thereof or invited to contest the accusations. Consequently on January 31, 1936, they addressed the Ministry of Industry and Commerce, directly and through the Court (a special delivery procedure), stating that in view of the non-notification it was presumed that the new charges had been considered as unfounded, but asking, if the Ministry decided that they were worthy of being discussed, that Universal be given a chance to reply. At the same time the opportunity was taken to recall that the Court action undertaken by the Universal Oil Products Company at the express suggestion of the Ministry (in its letter of July 16, 1935, a copy of which is enclosed <sup>5</sup>), looking toward the appointment of a technical expert to determine by investigation on the spot whether the four patents have been exploited in accordance with the Rumanian Law, is still pending, the hearing by the Court of Appeals being set for March 30, 1936 (See despatch No. 40, January 3, 1936, page 7 <sup>6</sup>).

<sup>5</sup> Not printed.

<sup>6</sup> *Ante*, p. 426, paragraphs 5 and 6.



The Legation was informed of this step in a letter from Universal Oil Products Company dated February 1, 1936, a copy of which is enclosed.<sup>7</sup> In this letter Engineer Edeleanu also stated that he had learned that the cancelation report (*referat*) had been referred by Secretary General Gheorghiu to the consultative Board of Lawyers (*Consilul de Avocati*) attached to the Ministry of Industry and Commerce, in order to secure the added weight of the approval of this group in support of any eventual decision of annulment.

While Mr. Edeleanu expressed the belief—which later proved to be erroneous—that the individual action of the Universal Oil Products Company would be successful in delaying the approval of the Board of Lawyers, he was considerably worried as to the possibility of unfavorable action being taken. He claimed that, in any case, the Board's approval was likely to be more or less automatic and not based upon serious consideration.

Further action seemed advisable to ensure against the danger of an unfair decision. Consequently, the question was seriously studied by the Legation, particularly from the point of view of the possible applicability of the International Convention for the Protection of Industrial Property, signed at Washington on June 2, 1911,<sup>8</sup> to which Rumania and the United States are parties.

It appeared that this Convention offered a solution to the question, in the sense that there seemed to be no question but that the Universal Oil Products Company had taken every action consistent with the complicated and costly nature of the process involved to exploit the patents effectively in this country, under the interpretation provided by Article 5 of the Washington Convention. It seemed appropriate, therefore, that this aspect of the question be called to the attention of the Rumanian Ministry of Foreign Affairs. Accordingly, an *Aide-Mémoire* (copy enclosed)<sup>7</sup> was prepared, summarizing the principal legal and administrative actions in the case and, with reference to the applicable portion of the Patent Convention, stating the belief that the Universal Oil Products Company did not seem to be subject to any accusation of "inaction" in seeking to exploit the Dubbs patents in Rumania.

Mr. Titulescu<sup>9</sup> being absent from the country, an appointment was made with the Undersecretary for Foreign Affairs Radulescu and on February 8, 1936, the matter was presented to him. The *Aide-Mémoire* was read, the Undersecretary following in the French trans-

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<sup>7</sup> Not printed.

<sup>8</sup> *Foreign Relations*, 1913, p. 1363.

<sup>9</sup> Nicholas Titulescu, Rumanian Minister for Foreign Affairs.

lation. At the close of the interview, this communication, accompanied by unofficial translations into French and Rumanian, was left with the specific request that it be brought to the attention of the Ministry of Industry and Commerce.

It has not yet been ascertained whether the *Aide-Mémoire*, or translations thereof, have actually been forwarded to the Minister and attached to the files of the case.

Meanwhile, however, Mr. Edeleanu has informed the Legation that the matter continues to be active. He states that the dossier, to which has now been added the report (*referat*) recommending cancellation approved by the Board of Lawyers at the Ministry of Industry and Commerce, is next to be referred to the Superior Council of Lawyers attached to the Ministry of Justice. This is nominally the highest consultative legal group in the Rumanian Government. There, Mr. Edeleanu asserts, the question will again—as it was in the Legal Division of the Ministry of Industry and Commerce—be decided under the influence of Mr. Aurel Bentoiu, former attorney for the “Phoenix” group, and now Undersecretary of State at the Ministry of Justice. Thus, he claims, the case will have been entirely wrenched from the Patent Office and the usual administrative channels.

The affair remains in this state of uncertainty at the present time.

In view of the possibility of serious developments within the near future, I should greatly appreciate receiving an expression of the Department’s opinion as to the soundness of the point made in the enclosed *Aide-Mémoire*, and instructions specifying any further steps which may be deemed appropriate or advisable.

Respectfully yours,

LELAND HARRISON

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871.542 Universal Oil Products Co./5

*The Minister in Rumania (Harrison) to the Secretary of State*

No. 95

BUCHAREST, May 29, 1936.

[Received June 10.]

SIR: Referring to the Department’s instruction No. 34 of March 3, 1936,<sup>11</sup> with regard to the steps taken by the Legation to protect the interests of the Universal Oil Products Company in connection with the Rumanian patents of the Dubbs petroleum cracking process, I have the honor to report the following developments in the case since the submission of my despatch No. 56 of February 22 last.

Subsequent to the delivery of the *Aide-Mémoire*, as reported in my despatch No. 56 last referred to above, I mentioned the matter again to Mr. Savel Radulescu in the course of my call at the Ministry of For-

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<sup>11</sup> Not printed.

eign Affairs on February 25. Mr. Radulescu stated that he was glad that I had brought the matter again to his attention. He said that he had referred my *Aide-Mémoire* to his legal advisers for an opinion as to whether the matter was one to be considered by the Foreign Office rather than the Ministry of Industry and Commerce. He assured me that he would urge that the matter be expedited. I explained that I had been informed that the case had been referred to the Supreme Council of Lawyers by the Ministry of Industry and Commerce for an advisory opinion and that I hoped that the provisions of Article 5 of the Washington Convention would not be overlooked and that he would find it possible to bring this point to the attention of the Minister of Industry and Commerce.

Subsequently, after his return to Bucharest following the Easter holidays, I dined with the Minister of Industry and Commerce and took the opportunity to refer to my interest in the case and inquired whether he had received a copy of the *Aide-Mémoire* I had left with Mr. Radulescu. Mr. Costinescu replied that he had received nothing from the Ministry of Foreign Affairs and asked me to send him a copy of the *Aide-Mémoire*. This I did on April 2. A copy of my personal note to the Minister is enclosed herewith.<sup>12</sup>

Mr. Ion Edeleanu, the local representative of the company, was kept informed of these developments and during this time he appeared to be hopeful that the findings of the Supreme Council of Lawyers, to whom the case had been referred for an advisory opinion, would be favorable.

This was the situation when on May 6 there appeared in the *Monitorul Oficial* No. 102 of May 5, page 3880, brief notice of the issuance of Royal Decree No. 1052 of May 4, 1936, "annulling" all four patents held by the company.

Thereupon, I telephoned to Mr. Edeleanu and learned that a decision had not been expected and that the decree had been a surprise. Later, the same day, Mr. Edeleanu informed me that he had ascertained confidentially that the advisory opinion of the Supreme Council of Lawyers had not in so many words recommended annulment; that it had, in fact, pointed out that the provisions of the Washington Convention were controlling; and that in the event that the Minister of Industry and Commerce should find that the evidence submitted by the company was not sufficient to overcome the accusation of failure to "exploit" the patents within the period specified in the law, then the Minister was empowered to annul the patents.

Mr. Edeleanu explained that he had had an opportunity to examine the dossier in the Patent Office, to which it had been returned for filing and where it is open to inspection upon request. But that even

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<sup>12</sup> Not printed.

while he was examining the dossier, instructions were received by the Director of the Patent Office to remove from the file the advisory opinion of the Supreme Council of Lawyers on which the Minister of Industry and Commerce had written instructions for the preparation of the Decree of Annulment. Hence, at the present time the file does not include any "referat" of the Patent Office or other section of the Ministry, which should be based on the advisory opinion and set forth the considered grounds on which the decree of annulment was to issue. The advisory opinion appears to have been used in lieu of a "referat" and, as it has been withdrawn, the interested parties are without precise information as to exact grounds on which the annulment was based. The text of the Royal Decree, of which a translation is enclosed,<sup>13</sup> merely refers to Articles 9 and 10 of the Law and fails to specify which of the provisions of Article 9 have not been complied with.

On May 8, Mr. Edeleanu, accompanied by Mr. Segui,<sup>14</sup> head of the company's legal department, resident in Washington, D. C., called upon me and informed me that the company's local legal advisers were considering filing action against the Ministry in the Court of Appeals with a view to the annulment of the Royal Decree and reinstatement of the patents in question. They were also considering the desirability of bringing a separate action before the Court of Cassation (Supreme Court), which might be found necessary in order to protect themselves against the possibility that the Court of Appeals should decline to accept jurisdiction on the grounds that the Ministry had acted as a juridical body and not as an administrative body.

The case stands thus at the present time.

Respectfully yours,

LELAND HARRISON

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871.542 Universal Oil Products Co./6

*The Minister in Rumania (Harrison) to the Secretary of State*

No. 205

BUCHAREST, November 30, 1936.

[Received December 15.]

SIR: Referring to my despatch No. 98 [95] of May 29, 1936, and to previous correspondence, in regard to the Rumanian Patents of the Universal Oil Products Company of Chicago, owners and licensors of the "Dubbs" petroleum cracking process, I have the honor to report that it now appears not improbable that the patents in question with the exception of the first patent which has expired, will be reinstated and the Company restored in the enjoyment of its patent rights in Rumania.

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<sup>13</sup> Not printed.

<sup>14</sup> J. Delattre-Seguy.

It will be recalled that, as reported in my despatch No. 98 [95] referred to above, a Royal Decree was issued on May 4 last, annulling all four patents held by the company and that the company's legal advisers had at that time under consideration the desirability of bringing an action against the Government (the Ministry of Industry and Commerce) with a view to the annulment of the Royal Decree and the reinstatement of their patents.

On July 14th last, action was brought against the Ministry of Industry and Commerce in the Administrative Contentious Office ("Action en Contentieux") of the Court of Appeals for the cancellation of the Royal Decree of May 4. Damages were not claimed but the right reserved to bring separate action for damages. Subsequently, the hearing was set for November 5th.

Meanwhile, on May 12th, a hearing was held in the case for bringing evidence by means of witnesses to prove that the patents had been "worked" within the term provided in the law (inquest *in futurum*). At this hearing the only matter discussed was the request of Unirea for permission to participate. This was granted by the Court. Hearing was set for June 2, then July 7, and finally November 10.

Since May the Legation has kept in constant touch with Mr. Ion Edeleanu, the local representative of the Universal Oil Products Company. On November 4, Mr. Edeleanu informed me that a settlement had been reached between Unirea and Universal Oil Products on October 24. Universal agreed to waive any claims against Unirea. Unirea undertook to cooperate in obtaining the reinstatement of the patents, and also agreed that if it should build a cracking plant during the next two years, this should be a "Dubbs" plant. Furthermore, Unirea executed a regular Universal License Agreement.

It then became necessary to find a legal basis on which the Ministry of Industry and Commerce could revoke the decree of invalidation. At Universal's suggestion, Astra Romana (Royal Dutch Shell) filed a petition with the Ministry pointing out that since Universal's patents had been exploited in their refinery within the legal term, they could not avail themselves of the invalidation to refuse payment of royalties. Later, Astra Romana submitted proofs of their statements, and the Ministry's legal advisers have found these proofs convincing. Secondly, Mr. Edeleanu will furnish the Ministry with a copy of the license agreement signed by Unirea, which will establish the fact that Unirea, who denounced the patents, has now acknowledged their validity. These two new facts will, so Mr. Edeleanu believes, constitute ample grounds for action by the Ministry looking to the cancellation of the decree, in which case Universal would waive all claims for damages against the Ministry.

In view of these developments, hearings in both court actions have been postponed for short periods. The Ministry's lawyers have joined

in requesting brief postponements in both cases, and Mr. Edeleanu has therefore great hopes that final favorable action may be taken before the Christmas holidays.

Mr. Edeleanu also informs me that an entirely different atmosphere has been found in the Ministry since the replacement of Dr. I. Costinescu by Mr. Valeriu Pop and since the appointment of Mr. Mircea Djuvara as Minister of Justice, who, the Department will recall, has been one of Universal's legal counsel for this case.

The Legation will not fail to report further developments.<sup>15</sup>

Respectfully yours,

LELAND HARRISON

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<sup>15</sup> The Department received a letter dated December 12, 1939, from Mr. J. Delattre-Seguy, expressing appreciation in behalf of the Universal Oil Products Company for the efficient cooperation afforded by the Legation in Rumania regarding the litigation on patent matters of the past few years. "Some of it has been successfully terminated for us; some is still pending before the Roumanian courts." (871.542 Universal Oil Products Co./8)

# SPAIN

## THE SPANISH CIVIL WAR

### I. International Political Aspects

852.00/2296

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

No. 1193

SAN SEBASTIÁN,<sup>1</sup> July 14, 1936.

[Received July 27.]

SIR: I have the honor to report that sensational developments during the past forty-eight hours have tended to aggravate the serious political situation already existing as the result of continued social and political unrest, and that unless the Government acts energetically to enforce respect for law and order its position may become untenable.

For some time the Government has been combating without marked success the methods of personal violence to which extremist elements of both the Right and Left have appealed. These methods have been particularly noticeable in connection with labor disputes, in which irresponsible elements have endeavored by terrorism and intimidation to foment disorder and prevent the settlement of strikes; and from time to time in personal acts of violence directed against persons of prominence of both Right and Left political affiliation. As long ago as June 12 the Government took official cognizance of this situation in a declaration in which it condemned the "systematic opposition" on the part of employers "to the fulfillment of the decisions handed down by the legal authorities" for the settlement of labor disputes and at the same time announced its intention to "punish with all the means which the state of alarm permits those strikes begun without fulfilling legal requirements." The Government's declaration concluded with the assertion that it "will make full use of the powers which the law gives it to suppress and punish any provocative or illegal action". (Cf. despatch No. 1164 of June 15, 1936, p. 3.)<sup>2</sup> The labor situation, which is particularly serious at Madrid, is discussed in a separate despatch going forward in this pouch.<sup>2</sup>

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<sup>1</sup> The Ambassador and his staff had moved to San Sebastián, the summer capital of the Spanish Government, on July 10, 1936, leaving the Embassy at Madrid in the charge of Eric C. Wendelin, Third Secretary of Embassy.

<sup>2</sup> Not printed.

The conditions of political and social unrest prevalent in the country for many weeks past have been aggravated from time to time by assassinations or attempted assassinations of prominent political leaders. Thus, the attempted assassination of the Socialist leader Jiménez Asúa several months ago led directly to acts of mob violence on the part of the Socialist and Communist masses. Early yesterday morning the Monarchist leader, Calvo Sotelo, was taken from his home by a number of men wearing Assault Guard uniforms, under the pretext of arresting him, and was brutally murdered. The repercussions from this act of violence, in the form of reprisals by Fascist gunmen on prominent Socialist and Communist leaders, are feared at any moment. The murder of Calvo Sotelo was itself, in the opinion of many people, the form of reprisal chosen for the murder on the previous day, by four Fascist gunmen, of Lt. Castillo of the Assault Guard. Lt. Castillo is said to have been a marked man since the bloody incidents that occurred in Madrid last April during the funeral of a Civil Guard official, (Cf. despatch No. 1111 of April 20, 1936, p. 2<sup>3</sup>), in which he is said to have taken a prominent part and to have shot and killed a young Fascist, relative of Primo de Rivera.<sup>4</sup> Thus the chain of assassinations by extremists of the Left and Right continues, leading in each instance to reprisals and counter-reprisals and frequently to acts of mob violence.

The seriousness of the present situation is fully recognized by the Government, which was in almost constant session yesterday. At the same time a series of important conferences have taken place between the Government and the leaders of the Popular Front parties. Particular importance is attached to a conference between the Prime Minister and representatives of the Socialist Executive Committee headed by Indalecio Prieto. At this conference the whole political and social situation are said to have been discussed and Sr. Prieto is said to have given the Government assurances that the Socialist Party is prepared to support it wholeheartedly in any measures that it may find it necessary to take for the defense of the regime. After a conference yesterday of leaders of all of the proletarian parties and organizations included in the Popular Front the following statement was made public:

“The objectives of the reactionary elements, enemies of the Republic and of the proletariat being known, the political and labor organizations represented by the signatories have held a meeting and have reached absolute and unanimous agreement in offering to the Government the assistance and support of the masses affiliated with

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<sup>3</sup> Not printed.

<sup>4</sup> Military dictator of Spain, 1923-30.



them in everything that may signify defense of the regime and resistance to the attempts that may be made against it.

"This agreement is not merely circumstantial; on the contrary, it is intended to be maintained with a permanent character while circumstances so advise, in order to strengthen the Popular Front and to fulfill the objectives of the laboring class placed in danger by the enemies of it and of the Republic."

The statement is signed by the representatives of the General Labor Union (Socialist), the Socialist Youth organization, the Casa del Pueblo (Socialist headquarters in Madrid), the Socialist party and the Communist party.

After an extraordinary session of the Council of Ministers last evening the Government issued a declaration deploring the acts of violence which resulted in the death of Lt. Castillo and Sr. Calvo Sotelo and asserting that in view thereof it feels obligated to declare publicly that "it will proceed immediately, with the greatest energy and the most rigorous severity, under the provisions of the Law of Public Order, to take all the measures that may be required by the necessity of maintaining a spirit of tolerance among Spaniards and the elemental respect for the rights of human life".

The political situation is made particularly serious, aside from the fear of reprisals for the death of Sr. Calvo Sotelo and the increasing social unrest, by the fear of an attempt on the part of Fascists and other reactionary elements to overthrow the Government itself. The present state of unrest is manifestly propitious for such an undertaking. Repeated rumors have been circulating for some time (See my despatch No. 1095 of April 1, 1936; No. 1113 of April 21, 1936, and No. 1186 of July 6, 1936.)<sup>5</sup> regarding the possibility of a military *coup d'état* engineered by Right extremists and the tone of the statement issued by the proletarian organizations above quoted clearly shows the fear of such an attempt. Under these conditions the position of the Government is threatened and, as reported in recent weeks, the report persists that it may be forced to resign. In that event it is generally believed that a coalition Government of Socialists and Left Republicans, headed by the Socialist leader, Indalecio Prieto, will be formed. Such a Government would be in a better position to defend the democratic regime and to put into effect the program of legislation agreed upon by the Popular Front parties than the present Government composed exclusively of Left Republicans.

Because of the state of alarm and agitation the Government this morning obtained the signature of the President of the Republic to a decree suspending the sessions of the Cortes for eight days.

Respectfully yours,

CLAUDE G. BOWERS

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<sup>5</sup> None printed.

852.00/2174 : Telegram

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

SAN SEBASTIÁN, July 18, 1936—noon.

[Received July 18—9:35 a. m.]

45. Wendelin in Madrid telephones by special permission *coup d'état* planned for noon today. Telegraphic and telephone communications closed. Will wire when information more definite.

BOWERS

881.00/1609 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, July 18, 1936—8 p. m.

[Received July 18—6:06 p. m.]

5. Revolt of Spanish troops broke out yesterday in Melilla and spread rapidly throughout Spanish Morocco. It is reported that between 2 and 6 o'clock this morning troops in Larache occupied all civil administrations and similar conditions reported to prevail in Tetuan, Ceuta and Alcazar Kebir. Two lieutenants were killed in Larache and several casualties occurred in Melilla. Movement reported to represent repercussion in army against murder of Calvo Sotelo, movement not believed to be monarchist but anti-Government. Spanish zone frontiers closed, Tangier calm but much public excitement prevails and anxiety on part of French and Moorish authorities.

It is difficult to confirm accuracy of information but the military in the Spanish zone appear to be dominating the situation there and are in communication with sympathetic elements in Spain.

BLAKE

881.00/1610 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, July 19, 1936—11 a. m.

[Received 11:45 a. m.]

Entire Spanish zone in hands of anti-Government forces. Order and calm prevail throughout zone. Frontiers now open for passengers and traffic other than Spanish. Airplane from Spain bombed Tetuan and Larache, causing few casualties. Spanish aviation corps in Morocco refused to join insurrection and destroyed planes. Officers

arrested. Coordination between movement in Morocco and Spain proceeding on extending scale, General Franco directing in Spanish zone. Reported here that all Andalusia now in hands of anti-Government forces after reduction of Cadiz yesterday by Spanish Foreign Legion from Ceuta.

BLAKE

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852.00/2175 : Telegram

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

SAN SEBASTIÁN, July 19, 1936—4 p. m.

[Received July 20—12: 15 a. m.]

46. My telegram No. 45, July 18, noon. Government has prohibited public use of telephone and telegraph but Wendelin in Madrid permitted to telephone me this morning. Madrid is quiet but reports there possibly exaggerated and impossible to check are that there is fighting at Barcelona, Seville, Burgos, Cádiz, Pamplona and Valladolid between Assault Guards loyal to the Republic and segments of the Army. Persistent reports that revolt in Morocco successful and officials and Foreign Legion moved to Spain. This according to rumors, impossible as yet to confirm, made possible by reported revolt of the Navy. On other hand today's local press reports that Navy is bombarding rebel forces. All perfectly quiet in this section thus far.

At 3 this morning government of Casares Quiroga resigned and Azaña<sup>6</sup> named José Giral, Minister of Marine in last Cabinet, Prime Minister, who immediately formed a government with General Miaja as Minister of War.

Last night Señor Moles, Minister of Gobernación, issued statement that revolutionary leaders had aroused confidence of their followers and stirred them into action. False report over radio from Seville that Madrid entirely in possession of the rebels. He claimed revolt in Morocco quelled and three generals under arrest. Closing of all means of communication and conflicting reports from the two sides make impossible an absolutely accurate description of present situation but resignation of government indicates serious trouble. Fighting confined thus far to armed forces without participation by civilian population. Powerful Socialist organization has issued statement supporting Government but apparently not active yet. In Madrid yesterday popular street ovations for Civil Guards and Assault Guards because of their loyalty to Government in putting down insurrection.

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<sup>6</sup> Manuel Azaña, elected President of the Spanish Republic on May 10, 1936.

No American interests have suffered thus far, so far as we can ascertain. Have conferred with other diplomats here and find all as much in the dark and with the same reports we have. The Syndicalists appear to be working with the Fascists and a portion of Army. If successful they plan probably for a military dictatorship or a Fascist regime.

Will keep you informed as accurately as is possible under the circumstances.

BOWERS

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852.00/2178 : Telegram

*The Counselor of Embassy in Spain (Johnson) to the Secretary of State*

SAN SEBASTIÁN, July 20, 1936—6 p. m.

[Received 8:45 p. m.]

48. My telegram No. 46, July 19, 4 p. m. Revolutionary movement apparently led by Generals Franco, Queipo de Llano, and Mola and supported by Fascists and other Rights has assumed large proportions but definite information impossible to obtain. Chief of Foreign Office Secretes [*section*] here states he has no information as to progress or suppression of movement. Wires are cut between here and Madrid and impossible to communicate by telephone with any of our Consulates. Have telegraphed every Consulate in Spain to inquire as to situation and welfare of Americans but have no security that telegrams will be delivered. General strike probably exists all over Spain and train service is largely stopped. Government asserted yesterday over radio that movement in Madrid and Barcelona has been put down. There are, however, rumors that revolutionary troops are in control of these cities. Radio stations in Seville and Burgos in hands of insurgents report movement in many cities successful.

Impossible to verify attitude of Navy or whether Navy has transported insurgent regiments from Spanish Morocco to Spain.

Government has requested all loyal supporters to arm themselves and has distributed arms to Socialist youth and other Republican organizations.

In San Sebastián and neighboring towns proletariat has certainly obtained arms, and barricades have been erected and bridges blown up on roads leading to Vitoria and Pamplona, from which places it is alleged that revolutionary forces are now advancing on this city. Attitude of regiment here doubtful. Sporadic shooting in streets and roads probably thus far the result of arms in inexperienced hands. Civil Governor states frontier is closed to all except diplomats.

Have read over telephone greater part of this cable to Ambassador Bowers who is, at the moment, at his house 5 miles from here at Fuenterrabia but telephone connection no longer obtainable. Civil Governor has just advised over radio that public other than defenders of the city keep indoors and close all shutters. Apparently immediate attack is expected.

JOHNSON

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852.00/2207: Telegram

*The Counselor of Embassy in Spain (Johnson) to the Secretary of State*

SAN SEBASTIÁN, July 21, 1936—noon.

[Received July 23—8:30 a. m.]

49. My No. 48, July 20, 6 p. m. Rumored attack on San Sebastián thus far false alarm although civilians armed by local authorities still leaving town in automobiles and trucks in direction of Pamplona apparently with purpose of defending city. Shooting in streets continues and at least one barricade erected. Have assembled staff in Continental Hotel which houses Chancery. Bullets entered house last night where member of staff had lodged.

No definite information obtainable as to success revolutionary movement most parts of Spain but it has been quelled in Madrid and Government radio bulletins optimistic. Only telegram received from Consuls comes from Bilbao stating Province in control of Government but that Burgos, Vitoria, Logroño and Pamplona in hands of insurgents.

Have also received the following telegram from Wendelin dated 20th:

“Military revolt this morning Madrid quelled by loyal Government forces including Civil and Assault Guards. All Americans strongly urged to remain indoors but none yet concentrated in Embassy grounds. Have requested police protection Consulate. Raised flag on Embassy, Consulate, and office Military Attaché at noon today because of dangerous situation in streets and inadequate police protection. Same action by British and other Missions and Consulates. Some sniping from roof tops by Fascists and much firing in streets by armed labor militia. Telephone company center of firing but request inform relatives in States no officials or families injured. No Americans known to have been injured. Government making every effort to restore order. Will communicate further any means possible.”

A few tourists of various nationalities were permitted to cross frontier yesterday but Foreign Office states this morning that frontier

is closed and that even diplomats cannot cross without special safe conduct from Civil Governor. Road to frontier which the Ambassador must use to come from his house to office barricaded and dangerous. No trains running this part of Spain.

Telephone communication with Ambassador still unobtainable.

At this moment armed citizens are firing at an airplane from just outside this hotel. Plane presumably comes from Pamplona and is said to be dropping revolutionary propaganda.

JOHNSON

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852.00/2190 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, July 21, 1936—7 p. m.  
[Received July 21—4:45 p. m.]

8. Question of fueling Spanish war vessels in Tangier Bay causing menacing situation. General Franco threatens bombardment of ships in Tangier harbor if supplies are furnished. Tangier International Administration delaying action on question of principle, pending arrival of warships from Italy, France, Portugal, and England. Shell declining to furnish on pretext of unsuitable stocks available. My suggestion to Vacuum Oil Company was to inform ships that the company, as an American concern, would prefer to make no deliveries until they knew through the Sultan's representative in Tangier that the constituted international authorities of the zone do not consider such deliveries to violate the statutory neutrality or failing such advice from Sultan's representative until the American Legation in Tangier has received instructions in the matter from its Government. Vacuum Oil Company, however, have decided on their own initiative advisable to supply small quantity desired on demand of Spanish Minister at Tangier. Transaction to be effected through third party.

Technically it is difficult to decide whether the neutrality provisions of the Tangier statute<sup>7</sup> could be deemed to oppose delivery in the circumstances.

Would deeply appreciate cable advice of Department's reactions and instructions.

BLAKE

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<sup>7</sup> Convention between Spain, France, and Great Britain regarding the Organization of the Statute of the Tangier Zone, signed at Paris, December 18, 1923, League of Nations Treaty Series, vol. xxviii, p. 541.

852.00/2203 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, July 22, 1936—6 p. m.

[Received July 22—4:12 p. m.]

9. Following my telegram No. 8,<sup>8</sup> Spanish war vessels were fueled in harbor by Spanish auxiliary ship following which Franco aeroplanes dropped bombs without effect as three ships were leaving harbor. No fuel taken from shore stations.

Master American steamer *Exmouth* reports Spanish planes dropped three bombs which exploded hundred yards from his ship en route in Gibraltar Straits from Málaga to Casablanca. Am seeking means to convey protest to General Franco.

Unless neutrality of zone clearly defined and defended it is feared General Franco will occupy zone on ground Tangier being used by his adversaries as base for operations.

I do not fear serious complications if position is handled with firmness and discretion by international authorities but should emergencies arise captain of British destroyer has offered assistance in case of need to Americans.

Late last night Committee of Control unanimously decided against Spanish member that presence and refueling of war vessels in Tangier harbor violated statutory neutrality. Spanish member informed that war vessels must either depart or be interned and measures would be taken to enforce this decision which is being referred to respective governments for confirmation.

British, French, Italian and Portugal Consulates General guarded by armed marines from their respective war vessels.

BLAKE

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852.00/2190 : Telegram

*The Secretary of State to the Diplomatic Agent and Consul General at Tangier (Blake)*

WASHINGTON, July 22, 1936—6 p. m.

7. Your 8, July 21, 7 p. m. Department approves your suggestion to Vacuum Oil Company.

Article 3 of the Statute of Tangier would seem to prohibit the use of the Zone as a base of military operations. The Department is not

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<sup>8</sup> *Supra.*

in possession of sufficient facts to enable it to determine whether the refueling of the vessels in question would be in contravention of this article. It is, however, of the opinion that any repeated refueling of the Spanish war vessels in Tangier during the present uprising would be in violation of the provisions of the article.

While this Government has not accepted the Statute of Tangier and its provisions are not, therefore, applicable to American nationals, nevertheless the Department, in the interest of international cooperation for the avoidance of complications, would not be disposed to support American nationals in Tangier in any efforts to furnish supplies to either side to the present conflict, contrary to the policy adopted by the constituted authorities of the Tangier Zone.

You should endeavor to ascertain the course which those authorities intend to pursue, and inform the Department and interested American nationals thereof as soon as possible.

HULL

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852.00/2247 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, July 24, 1936—5 p. m.  
[Received July 24—2:21 p. m.]

10. My protest to General Franco bombing *Exmouth* delivered yesterday by British Consul, Tetuán. Franco promised to give strict orders to prevent recurrence of such regrettable incidents although his explanations, attributing to defective apparatus on planes responsible for unintentional release of bombs, were obviously unsatisfactory. Protests were made by British Consul at same time relative to similar incidents in Straits involving British merchantmen.

In event further protests necessary I will present them personally to Franco or through Doolittle,<sup>9</sup> if circumstances prevent my absence from Tangier.

No change in local situation which remains extremely delicate. Italian Admiral has arrived on cruiser *Eugenio di Savoia* and French Admiral arriving today.

BLAKE

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<sup>9</sup> Hooker A. Doolittle, Consul and Second Secretary at Tangier.



852.00/2275 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, July 25, 1936—3 p. m.

[Received July 25—1:50 p. m.]

291. My 287, July 25, 10 a. m.<sup>10</sup> and previous telegrams. I was informed this morning at the Foreign Office that the Italian Government was prepared to send additional vessels to Spanish waters if the situation in the country became still worse and that it was ready to assist in every possible way in the relief of the nationals of any other countries, if so requested.

Italian officials are outspoken in their concern over the situation in Spain. They point out that the uprising there combined with the Communistic tendencies already manifest in France constitute a very real threat of Bolshevism in the West and that the Soviet Union itself with its reported military preparedness and its reputed financial resources indicates from that direction a constantly growing threat to the social order in Europe and the Balkans. Unofficial opinion couples expressions of anxiety over these increased Communistic activities with reference to the evidences of harmonious relationship between Italy and Germany and stresses the view that cooperation between the two countries would form a bulwark against the spread of Bolshevism in Europe both from the East and from the West.

KIRK

852.00/2290 : Telegram

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

PARIS, July 27, 1936—8 p. m.

[Received July 27—3:30 p. m.<sup>11</sup>]

668. Following upon a series of revelations and bitter criticism in the French Right press during the last week, the intricate matter of alleged attempted supply by the Blum<sup>12</sup> government of arms and munitions to the Madrid Government was brought to a focus over the week end.

While no mention is made of it in the laconic communiqué issued after a Cabinet Council hastily summoned on July 25th, an inspired press statement made it known that the Blum government had unanimously decided against supplying arms to the Madrid Government and against intervention in the domestic affairs of another nation.

<sup>10</sup> Not printed; it quoted a communiqué published that day listing Italian warships and other vessels dispatched to Spain for relief of Italians and citizens of other countries (852.00/2265).

<sup>11</sup> Telegram in four sections.

<sup>12</sup> León Blum, President of the French Council of Ministers.

The reasons which led to the decision were communicated to the Embassy by a reliable press contact who obtained his information from a member of the French Supreme War Council. According to his informant certain members of the Blum Cabinet particularly Cot, Air Minister, decided on July 21 to accede to a request from Spain and to send arms and ammunition urgently required by the Madrid Government. To this decision it is understood that Blum gave his tacit approval.

On July 22 Corbin, French Ambassador in London, telephoned Blum personally and called to his attention that the British Government was extremely worried about this contingency. Corbin urged Blum to come over and discuss the situation with Baldwin<sup>13</sup> and Eden<sup>14</sup> as soon as possible. Thus Corbin's request was the chief reason for Blum's sudden decision to proceed to London and not as is generally believed to join in the tripartite conversations which were then taking place.

In London Eden drew Blum's attention to the grave international consequences which might result from French active support of the Madrid Government. The fears of the British Government were strengthened by a report from the French Military Intelligence which indicated a certain movement of German troops on the French eastern border. Eden furthermore made it quite clear that he considered that any assistance lent by the French Government to the Spanish Government might conceivably develop a most critical international situation in view of the Italian and German attitude in the matter.

Blum returned to Paris on the 25th and immediately called the Cabinet Council meeting mentioned above in the course of which the British point of view was brought forcibly to the attention of his extremist colleagues particularly Cot. After a lengthy debate the more moderate elements Blum, Daladier<sup>15</sup> and Delbos<sup>16</sup> who advocated a policy of strict neutrality won out and the decision mentioned above was taken.

From a conversation with Cardenas, recently Spanish Ambassador in Paris who resigned his office and came to take leave of me this morning, as well as the published reasons for not only his own resignation but also that of his Military Attaché and Counsellor of Embassy, proofs are not lacking to show that negotiations for the purchase by Spain of French war materials had actually taken place.

At the Chamber of Deputies tomorrow Taittinger, Right Deputy of the Republican Federation and leader of the former *Jeunesses patriotes*, an extra parliamentary league dissolved recently by decree, will

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<sup>13</sup> Stanley Baldwin, British Prime Minister.

<sup>14</sup> Anthony Eden, British Secretary of State for Foreign Affairs.

<sup>15</sup> Edouard Daladier, French Minister of National Defense and of War.

<sup>16</sup> Yvon Delbos, French Minister for Foreign Affairs.

question the government with regard to the whole matter. While legally the Blum government was probably within its right at first in deciding to sell war supplies to a foreign government the Right press has made it abundantly clear in the last few days that the Spanish and French Popular Front Governments have been working in close harmony. In support of this view press correspondents in the more important Right organs have reported: (1) on July 24th a Spanish plane landed at Le Bourget with 19,000,000 francs in gold as alleged advance payment of orders for war material; (2) that 19 Potez 1929 model planes unequipped with armament and thus classified as commercial planes are at the military aerodrome at Étampes-Mondesir awaiting the arrival of French civil fliers to pilot them to Spain; (3) that the freighter *Ciudad de Tarragona* escorted by a Spanish torpedo boat arrived at Marseille last week with the alleged intention of loading war material.

The debate in the Chamber of Deputies tomorrow which the Embassy will report will probably be a bitter one and the attack on the Government will stress the surreptitious manner which was adopted by Blum and his colleagues to supply the Madrid Government with arms and the implication that there is an agreement between the Popular Front Government of France and Spain to lend each other mutual support.

STRAUS

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852.00/2319 : Telegram

*Señor Miguel Cabanellas to the Secretary of State*<sup>17</sup>

[Translation]

BURGOS, [undated.]

[Received July 29, 1936—7:48 p. m.]

I have the honor to inform Your Excellency's Government of the formation and assumption of power of the new government of the Spanish state under the title of Committee of National Defense, constituted on the 23 instant at its provisional seat, Burgos, with myself as President, and with the following members: Messrs. Miguel Cabanellas, General of Division, Andrés Saliquet, General of Division, Miguel Ponte, Brigadier General, Emilio Mola, Brigadier General, Fidel Dávila, Brigadier General, Federico Montaner, Colonel, and Fernando Moreno, Colonel. Our government hopes and desires to maintain with that of Your Excellency the same cordial and friendly relations which have always united our two countries.

*The President of the Committee of National Defense*

MIGUEL CABANELLAS

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<sup>17</sup> No reply was made to this telegram.

852.00/2325 : Telegram

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

U. S. S. "CAYUGA" [undated.]  
 [Received July 30, 1936—1 : 45 p. m.]

Quiet in Bilbao. Americans willing to leave evacuated. Two at Santander who were offered facilities declined.

Very strained relations developing between Italy and Germany on one side and French on the other side. Their envoys here surprisingly open on attitude toward Spanish struggle. France has sent 20 airships last 3 days contracted for before the trouble and commander British ship here tells me Germany has sent 14 fighting airships to the rebels. Attempt of German warship to land armed forces San Sebastián some days ago probably intensifying the cleavage, important perhaps as indicating a threat to European peace. The *Almirante Cervera*, the Spanish ship that revolted, is at Gijón. Intercepted message picked up by *Cayuga* warns to keep away from it.

BOWERS

852.00/2334 : Telegram

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

PARIS, July 31, 1936—4 p. m.  
 [Received July 31—2 : 55 p. m.<sup>18</sup>]

696. In conversation this morning at the Foreign Office regarding the Spanish situation we were told the following:

Blum appearing before the Foreign Affairs Committee of the Senate yesterday admitted frankly that the French Government had at first seriously considered acquiescing in the request of the Spanish Government for assistance in the way of airplanes and munitions. In this connection our informant said that the Franco-Spanish frontier is in one sense comparable to the American-Canadian border in that it has not been fortified [apparent omission] years; France has not maintained troops there and it is the one frontier from which France has felt that there was no danger to be feared. The setting up in Spain of a government of the military dictatorship type might well alter this situation and prove a serious danger to French security. A glance at the map would clearly indicate this: an unfriendly regime in Spain could in time of war prevent the transport of troops from French possessions in Africa to Europe through submarine operations from the Spanish coast. However, went on our informant, it had been explained by Blum to the Senate Committee that after mature consider-

<sup>18</sup> Telegram in five sections.

ation by the French Cabinet a decision had been reached that the French Government would not permit the despatch to Spain of any airplanes or munitions of war since any other attitude on France's part would risk serious international complications. Blum stated categorically to the Senate Committee that no airplanes, arms or munitions had been delivered to the Spanish Government. In saying this, however, Blum stated that the French Government would reserve its position regarding the future depending upon what the attitude of other foreign governments might be.

As an example of sincerity the French had forbidden shipments of war materials to Spain. Our informant stated that an important order which had been placed several months ago by the Spanish Government with the Hotchkiss firm and was now ready for shipment was not being allowed to go forward. It was added that while the French Government was of the opinion that it could not interfere in the matter of shipment of strictly civil aircraft, as a matter of fact no such aircraft had been delivered from France to Spain since the outbreak of the revolution.

Regarding the press report today that Italian planes had been forced down in Morocco, the official at the Foreign Office showed us in the strictest confidence a telegram that had been received from the French Resident General at Rabat reporting that one Italian plane had crashed near Oudja and a second plane had alighted near the same place. The plane that crashed had a crew of five, two of whom were killed, the others being badly injured. The airmen were furnished with passports setting out that they were civilians but in one of the planes a list was found giving the same names for the airmen but listing them as officers and non-commissioned officers in the Italian Air Corps with their ranks. In one plane a package of coats worn by Italian Army aviators was found. Shortly after the plane had crashed a Spanish plane belonging to the rebels flew over and dropped a bundle containing uniforms of the Spanish Foreign Legion and a message to the fliers to put on these uniforms and declare that they were members of the Spanish Foreign Legion.

Concerning the possible German angle to this situation, our informant appeared to give credence to the report that General Sanjurjo had some time ago offered to or actually concluded an arrangement with Hitler whereby if the insurgents were successful Germany would be granted a naval base at Palma. Moreover reports received at the Foreign Office were to the effect that last April and May General Sanjurjo was in Berlin arranging for the purchase of military supplies for the expected revolution and that agents of the revolutionists had an account in the German South American Bank at Hamburg.

It was stated that the French Government has in mind and will "probably" propose to the other two principal Mediterranean powers,

namely, England and Italy, that they join in a formal commitment not to furnish arms to either side nor to interfere in any way in events in Spain. If this step is pursued France will at least know by the nature of the Italian reply what Italy intends to do in relation to the Spanish situation.

The impression was obtained that if the step mentioned above is pursued and the Italians should evade a definite commitment to refrain from assisting the insurgents in the Spanish conflict it could hardly be expected that the French Government would continue to maintain its present strictly hands-off attitude.

The interpellations on the question of furnishing arms to Spain are expected to be debated in the Chamber of Deputies this afternoon and we will report on the subject later.

Cipher texts to London, Rome, Berlin.

STRAUS

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852.00/2338 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary of State*

Moscow, July 31, 1936—9 p. m.  
[Received July 31—5:45 p. m.]

177. Reference telegram number 54 of July 29, 4 p. m. from Legation, Riga.<sup>19</sup>

Neymann<sup>20</sup> of Foreign Office has told me today substantially as follows:

“Although I am not authorized by my Government to make any official statement on the subject, I can tell you privately and in confidence that the Soviet Government has carefully refrained from taking any action which might be considered as interference in Spanish affairs, no Soviet arms or other military equipment have been sent to Spain nor Soviet boats or officials played any role directly or indirectly in the conflict. Charges of Soviet interference have been made, however, by Germany and Italy in order to justify aid which they have already given to the rebels. I am informed that these Fascist states are planning to render more assistance in the future if deemed necessary in order to insure a victory for the reactionaries. If the Soviet Government had furnished military equipment to the Spanish Government it could not be criticized therefor since there is no tenet in international law prohibiting one government from furnishing military supplies to a friendly government endeavoring to put down a revolution.”

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<sup>19</sup> Not printed; it reported that an informant was convinced of Soviet complicity in furnishing arms and funds to Communists in Spain (852.00/2308).

<sup>20</sup> Alexey Fedorovich Neymann.

Although the Soviet press frankly expresses sympathy for the Spanish Government it has thus far not published any articles which might be considered as instruction or advice to the Communists included in the Peoples Front. The closing lines of an article on the subject in yesterday's *Izvestiya* contained the following hint.

"Further welding of all democratic anti-Fascist forces in the Peoples Front, resolute struggle for the disarmament of the counterrevolution, the performance of the ripe and solution demanding tasks of the bourgeois democratic revolution, these are the fundamental guarantees of the victory of Spanish Democracy over Fascism."

HENDERSON

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852.00/2354 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 1, 1936—5 p. m.  
[Received August 1—4: 15 p. m.]

307. My 291, July 25, 5 [3] p. m. The continuation of the Civil War in Spain with special reference to the reported assistance from France to the Madrid Government has further intensified the anxiety of the Italians over the situation there. Leading officials of the Foreign Office refer to the fact that Italy is closely interested in the events in Spain both as a Mediterranean state and as a Latin and Anglo-American country but they acknowledge that the underlying basis of redeeming concern of the Italian Government is the factor of Communism and the threat of the spread of Bolshevism throughout Spain and North Africa. In fact in the highest official circles here the present conflict in Spain has been characterized as the crystallization of the opposition between the two main forces in Europe, namely, Fascism and Bolshevism, and on that basis the developments there with special reference to the progress of the anti-Communist elements are regarded as of international consequence rather than of merely national scope. The destruction of Italian lives and property as a result of the fighting has aroused indignation but up to the present the inclination appears to be to attempt to reduce that danger by evacuating Italian subjects from Spanish territory and to postpone the consideration of compensation and future pledges of security to a time when the political situation in the country is less confused. The alleged assistance from France to the Madrid Government on the other hand is regarded as of immediate concern and the fact that a leading official of the Government here has been quoted as saying that such action would furnish a justification to other countries who might wish to aid the opposing

factions in Spain has given rise to conjectures in certain circles here as to the possibility of an anti-Communist move on the part of the countries in Europe aligned against Bolshevism. Foreign Office officials at the present time, however, while admitting the danger of some incident resulting in foreign complications, reject categorically any consideration of the possibility of actual intervention in the Spanish conflict and merely emphasize the vital importance of the outcome there to the maintenance of the social order in Europe.

The press here has generally devoted space on the Spanish conflict to news accounts of events there together with repercussions in other countries and has discussed matters of direct concern to Italy only in the form of denials of allegedly erroneous reports. It has not given publicity to the report which reached Rome yesterday to the effect that an Italian plane equipped with machine guns had cracked near the Spanish Moroccan border and officials, while refusing to offer any explanation pending an investigation, insist that in no event can the Italian Government be regarded as involved. The newspapers have, however, published a denial of the report that the Italian Government received an offer from General Franco of the cession of Ceuta in return for assistance from Italy and the Press Ministry has denied the shipment of Italian planes to Spanish territory. In the last day or two the Italian press has increased the extent of the foreign news reports on the situation in Spain and although the communistic aspect of the conflict is emphasized, no statement of an Italian policy appears other than that of neutrality.

KIRK

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852.00/2343 : Telegram

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

PARIS, August 2, 1936—11 a. m.

[Received August 2—10:15 a. m.<sup>21</sup>]

705. Reference to our 696, July 31, 4 p. m. The Council of Ministers met yesterday morning to consider the Spanish situation with particular reference to the matter of Italian aid to the insurgents. The meeting was a prolonged one lasting from 10 o'clock until 1:30, and we are informed that it was a stormy session. The extremist members of the Government urged, in view of the fact Italy was sending airplanes to help the rebels, that the policy of non-intervention which the French Government had adopted should be abandoned

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<sup>21</sup> Telegram in two sections.



forthwith and authorization granted for shipments of war material to the Spanish Government. The moderate members of the Government opposed this and urged the adoption of the plan mentioned in our 696, namely, an appeal to the other principal Mediterranean powers, England and Italy, to join in a declaration of strict neutrality and non-intervention in the struggle. No decision was reached in the Council of Ministers and the discussions were continued among members of the Government all afternoon. Finally at 8 o'clock last night a communiqué was given out at the Foreign Office, the terms of which indicate that the more moderate view within the Cabinet won out.

This communiqué states that the Government had examined the problems arising out of the Spanish crisis and particularly the questions relating to the facts of foreign intervention resulting from furnishing war material. The French Government had the double concern of saving the international situation from the harmful effects of such foreign intervention and at the same time of maintaining friendly relations with a regularly constituted and recognized Government struggling to reestablish internal order. The French Government, in an effort to contribute by all possible means to shortening the troubles in Spain and to avoiding the development there of foreign activity the result of which might prove prejudicial to the maintenance of good international relations, had decided "to address an urgent appeal to the principal interested Governments for the immediate adoption and strict observance with regard to Spain of common rules of non-intervention." The communiqué states that the French Government had observed "until now" in the strictest fashion its decision not to authorize any exportation of arms to Spain even in execution of contracts made before the beginning of the present troubles. While awaiting the establishment of a common viewpoint on this subject among the principal interested powers the communiqué added (and here is the concession to the extremists views in the Cabinet) that "the fact that war material is now being furnished from abroad to the insurgents obliges the French Government to reserve its freedom of judgment for the application of the decision which it had adopted".

We understand the French Government has already approached the British and Italian Governments with an appeal for a declaration of non-intervention in Spanish affairs and that if agreement is reached among the three powers the effort would doubtless be extended to other powers including Germany.

Copies by mail to Rome, London, Berlin, Geneva.

852.00/2860

*The Minister in Portugal (Caldwell) to the Secretary of State*

[Extracts]

No. 1006

LISBON, August 3, 1936.

[Received August 18.]

SIR: In amplification of the final sentence in my telegram No. 15 of July 21, 11 A. M.,<sup>22</sup> and in order to bring the matter up to date, I have the honor to report that, from the beginning of the Spanish revolution, there have been clear indications that the Portuguese Government has regarded the success of the revolutionary movement as a matter almost of life and death and that it has indicated in many ways a definitely benevolent attitude to the principles represented by the revolutionary cause.

Thus, for example, with the first news of the revolutionary disturbances, the censorship of the Press, already strict, redoubled its vigilance with the result that the various newspapers were not allowed to publish any news which might be construed favorably to the Madrid Government. Similarly, the *Diario da Manhã*, published by the Junta Nacional, the only authorized political organization, and thus generally regarded as the semi-official organ of the Government, has consistently charged the Madrid Government with being in the pay of Russian communists for the subversion of organized peace and security. The news broadcasted by the two large radio stations at Lisbon has been consistently favorable to the revolutionary forces and one of these radio stations, the "Radio-Club Português", has in its broadcasts been even more sweeping in its denunciation of the Madrid government than the radio station operated by the revolting forces in Seville.

In addition to propaganda, there are also indications that the rebellious forces, with important headquarters at Salamanca and Seville, have also received substantial material assistance although of course the nature and degree of this assistance rest to a certain extent on rumors which are not always easy to verify. . . .

It is well known that the Spanish Ambassador has made numerous protests regarding what he believes to be the unneutral attitude of Portugal in the present revolutionary crisis, but there are no indications that these protests have led to any substantial modification of policy. And it could not well be otherwise, for it is at once apparent that the establishment of a military dictatorship such as is now proposed for Spain would add immensely to the prestige of the Portu-

<sup>22</sup> Not printed; the final sentence stated "Portuguese official opinion favorable to the revolution." (852.00/2182)

guese Government which is frankly established on similar principles; and on the other hand, it is almost universally recognized that a sweeping and overwhelming victory by the Madrid government would correspondingly weaken and embarrass the present government of Portugal.

Although the benevolent attitude of the Portuguese Government towards the revolutionary movement is thus entirely apparent, the Ministry for Foreign Affairs has continued to recognize the official position of the Ambassador, Dr. Sanchez Albornoz, and has not yet announced the recognition of the revolutionary Junta under the presidency of General Cabanellas at Burgos. . . .

Respectfully yours,

R. G. CALDWELL

855.113/16: Telegram

*The Chargé in Belgium (Sussdorff) to the Secretary of State*

BRUSSELS, August 3, 1936—2 p. m.

[Received 2:30 p. m.]

61. Belgian Foreign Office informed me this morning that inasmuch as no permit is required for the exportation of arms from Belgium anyone may ship arms from Belgium at the present time either to the Spanish Government or to the insurgents. The Belgian Government has investigated and is informed that no arms have yet been shipped from Belgium to either party in Spain. Foreign Office added that the Belgian Government have not yet taken any decision regarding question of prohibiting shipment of arms to Spain and is awaiting the outcome of the proposal of non-intervention which the French Government has made to Great Britain and Italy and that if Great Britain and Italy accept the French proposal Belgium will probably be approached by France immediately and will also accept.

SUSSDORFF

852.00/2434

*Memorandum by the Secretary of State*

[WASHINGTON,] August 4, 1936.

The French Chargé d'Affaires<sup>23</sup> came in and immediately proceeded to say that his Government had proposed to the British and Italian Governments that each should remain entirely aloof from the Spanish

<sup>23</sup> Jules Henry.

internal situation by maintaining an attitude of neutrality or of non-intervention in the internal affairs of that country during the present civil strife. He then added that his Government was very much disturbed about reports that other countries were violating such neutrality and were undertaking to engage in acts of interference or intervention as stated. He gave no names. He added that his Government desired the American Government to be made acquainted with its action in the premises.

I thanked him and expressed the keen interest felt by this Government in affairs of a threatening nature elsewhere and its anxious hope that peace in any event might be preserved. I remarked casually in closing that of course the Chargé was aware of the general attitude of this Government towards the doctrine of non-intervention.

C[ORDELL] H[ULL]

852.00/2383 : Telegram

*The Minister in Portugal (Caldwell) to the Secretary of State*

LISBON, August 4, 1936—1 p. m.

[Received August 4—9:05 a. m.]

30. Smith, local representative Vacuum Oil Company, told me today that he had been instructed by his company to ask my opinion as to the advisability of his company furnishing aviation gasoline to the Spanish rebels through third parties with the consent of Portuguese authorities whom known to sympathize with the rebellion.

I replied that this is a question of general policy on which I have no right to speak and I advised Smith to refer his company directly to the Department.

Spanish Ambassador here has protested against the unneutral attitude of the Portuguese Government and also French Minister has protested against unfriendly expressions in Portuguese newspapers.

CALDWELL

855.113/15 : Telegram

*The Chargé in Belgium (Sussdorff) to the Secretary of State*

BRUSSELS, August 4, 1936—4 p. m.

[Received August 4—12:45 p. m.]

62. My 61, August 3, 2 p. m. Foreign Office has just informed me that a decree requiring licenses for the exportation of arms has been approved by the Belgian Government and will be published tomorrow in the *Moniteur*. The Foreign Office stated that it is the intention of

the Government not to give any licenses for the exportation of arms to Spain or to any territory near Spain.

SUSSDORFF

852.00/2393 : Telegram

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

PARIS, August 4, 1936—6 p. m.

[Received August 4—2:45 p. m.<sup>24</sup>]

716. The following excerpts from despatch No. 1206 of August 3<sup>25</sup> which Hallett Johnson at Saint Jean de Luz reports he has forwarded to the Department by open mail are cabled herewith as of interest:

"It has been impossible to ascertain the membership of the 'committees' which control the cities of San Sebastián and Irun and it is not known whether these 'committees' are controlled by individuals who are Republicans, Communists, or Syndicalists. It is my personal impression that the Left extremists are gaining the upper hand. Guns and ammunition have been supplied to the whole countryside and it seems likely that the Extremist Left fringe will have the greatest influence over the armed proletariat. Should the Government forces win the present contest it may prove difficult for them to restore actual local authority to those legally entitled to it and still more difficult to get back the arms which have been given to the whole Loyalist population including in many cases women and young boys.

. . . if General Franco succeeds in bringing all the troops from Africa into Spain this may prove the deciding factor. It will be remembered that in the revolution in the Asturias in October 1935 [1934] it was found necessary to bring these same efficient troops from Africa in order to put down this movement. General Franco is considered to be perhaps the ablest Spanish General. Whichever side wins, however, the conflict looks now as if it would be a long and terrible one.

In conclusion I wish to point out the very serious danger which threatens foreigners in Spain in case the strict neutrality of foreign nations demanded by Martinez Barrio<sup>26</sup> is not maintained. If the armed proletarian forces of either party to the conflict get the idea that foreign countries are helping the other by the sending of military or semi-military supplies, their fury against foreigners will be great and they will not always differentiate between nationals of offending countries and other foreigners. I am even now apprehensive as to the effect on the minds of the Republican armed levies of the report that Italian aeroplanes have carried machine guns to Franco's forces."

A telegram just received from Johnson states that he has read the observations in this despatch to the British Ambassador who remarks that they express his opinion as well.

STRAUS

<sup>24</sup> Telegram in two sections.

<sup>25</sup> Not printed.

<sup>26</sup> President of the Spanish Cortez.

852.00/2394 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 4, 1936—6 p. m.

[Received August 4—4:25 p. m.]

311. My 307, August 1, 5 p. m. The French Ambassador called on the Minister for Foreign Affairs yesterday afternoon and submitted a proposal whereby France, Great Britain, and Italy would maintain a strict neutrality in regard to the situation in Spain. I understand from French sources that this proposal included an agreement to withhold aid both governmental and private to the contending forces in Spain and a statement refuting the allegation that France was rendering assistance to the Madrid Government but pointing out that as that Government was the recognized authority in Spain there could be no objection as a matter of right to the sale thereto of arms and material from abroad. It is reported from other sources that the French Ambassador stated that the French Government would feel free to render aid to the Madrid Government if it was found that other countries were assisting the opposing forces but this report has not been confirmed. After making the foregoing representation the French Ambassador said that although Ciano<sup>27</sup> refrained from expressing any opinion on the matter he received the impression that this *démarche* was not particularly welcome to the Italian Government.

In a conversation with the Minister for Foreign Affairs this afternoon he told me that no decision had been reached as to the nature of the reply to be made to the French representations as it was a matter on which it would be necessary for him to consult with Mussolini who might not return to Rome for a day or two. He expressed the tentative opinion, however, that a Franco-Italo-British agreement such as the French proposed might prove of little practical value in that other countries which were not bound by the agreement might furnish aid to either side in the Spanish conflict.

Count Ciano then said emphatically that the Italian Government had maintained throughout an attitude of strict neutrality both in withholding any practical assistance to the conflicting forces in Spain and in refraining from expressing unneutral views in the press as well as over the radio. Certain other countries, however, he said, might not be in a position to make such a categorical assertion in so far as they were concerned. As regards the reports of the delivery of Italian airplanes on Spanish territory, he said that he could give no opinion on the matter until the investigation now in course was concluded but added that even if it should be ascertained that private interests in Italy had sold planes to private interests abroad which subsequently

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<sup>27</sup> Italian Minister for Foreign Affairs.

reached Spain no reflection could thereby be cast on Italy's policy of strict neutrality. He concluded by expressing his deep concern at the situation in Spain and his fear of the consequences of the continued disturbances there.

KIRK

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852.00/2395 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary of State*

[Extracts]

Moscow, August 4, 1936—6 p. m.

[Received 8 p. m.]

178. My 177, July 31, 9 p. m. Soviet press and leaders are beginning more openly to show their sympathy for the Spanish Government as the latter's position becomes more precarious. Mass demonstrations of solidarity with the Spanish people were held in cities and towns of the Soviet Union yesterday. The Moscow *Pravda* of this morning states that 120,000 demonstrators gathered in the Red Square and that 100,000 took part in the Leningrad demonstration. According to the same source the meetings, both in Moscow and Leningrad, addressed telegrams to the President and Prime Minister of Spain. . . .

Funds "for the assistance of the fighters" are being collected in factories and institutions; meetings of employees are voting from one-half to one percent of their aggregate monthly salaries to the cause.

A responsible Soviet official told me last night that a number of Soviet officials charged with the conduct of Soviet foreign relations were opposed to sending funds to Spain since they felt that such action would be used by Germany and Italy to justify the aid given by themselves to the rebels. These objections were overruled, however, by those Soviet leaders who take the view that if the Soviet Union is to continue to maintain hegemony over the international revolutionary movement it must not hesitate in periods of crisis to assume the leadership of that movement. The same official pointed out that since the funds collected cannot be exported until after they have been exchanged into foreign currency with the special permission of the Commissariat for Finance it will be difficult for the Soviet Government to maintain that it has no connection with the collection and despatch of such funds.

There is no indication as yet that the Soviet Union is expecting to lend the Spanish Government other than pecuniary assistance.

HENDERSON

852.00/2417 : Telegram

*The Chargé in Germany (Mayer) to the Secretary of State*

BERLIN, August 5, 1936—2 p. m.  
[Received August 5—12:05 p. m.]

244. Foreign Office discussed with me at some length this morning the complications of the Spanish situation. The French Ambassador had talked with Neurath<sup>28</sup> yesterday regarding joint neutrality with respect to which the French had previously made [proposal?] to the British and Italians. The British attitude was generally favorable while the Italians preferred "to wait and see". Neurath indicated that while he was not sure that the necessity existed he was not opposed to discussion of the situation. He believed, however, that all powers concerned, including Soviet Russia, should participate. There would seem, therefore, to be considerable likelihood that joint discussions will take place shortly on this subject.

Foreign Office is somewhat disturbed regarding the safety and evacuation of the 1200 Germans still remaining in Madrid. It understands that the Italian and British Embassies have urged their nationals to leave Madrid at once in view of impending danger, whether from the radicals in Madrid or attack by the insurgents on the city or both. Germany is considering following the British and Italian lead. In such a case evacuation would be via Valencia where the line is apparently still open and/or in part by Lufthansa airplanes from Marseille.

According to reports received late last night at the Foreign Office from German Embassy in Madrid, at a meeting of the Diplomatic Corps yesterday the *Doyen* and the British and Italian representatives were in favor of requesting an international force of marines to protect diplomatic missions and foreign nationals at Madrid, presumably the marines to be landed at Valencia and thence to Madrid. Foreign Office is endeavoring to ascertain whether the above really represents the attitude of the British and Italian Governments, meanwhile suspending judgment itself, although opposed in principle to the idea as impracticable and dangerous.

Foreign Office of course recognizes the increasing dangers of the Spanish situation with respect to international complications and gives every appearance of wishing to avoid these.

Copies to London, Paris, Rome.

MAYER

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<sup>28</sup> Baron von Neurath, German Minister for Foreign Affairs.



852.00/2429 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 5, 1936—5 p. m.

[Received August 5—3:20 p. m.]

314. My 311, August 4, 6 p. m. From further information now available relating to the representation made by the German [*French*] Ambassador to the Minister for Foreign Affairs of Italy on August 3d it appears that, in the general sense of the unconfirmed reports contained in my above-mentioned telegram, he gave Ciano to understand that the French Government might feel called upon to readjust the neutral stand which it had hitherto adopted in view of the Spanish conflict if other countries should demonstrate an unneutral attitude either in theory or in practice although, the French Ambassador states, this observation was not made in the form of a threat in order to induce the Italian Government to join in the declaration of neutrality proposed by France. I also understand that the French Ambassador mentioned the incident of the landing of Italian planes in North Africa (see my 307, August 1, 5 p. m.) but did not choose to press the point at that time in order not to jeopardize the possibility of Italy's accepting the French proposal. In the event, however, that the Italian reply is unsatisfactory, further representations in regard to that incident are apparently intended as the French Government is satisfied that it has sufficient proofs to involve Italian authorities.

The French Ambassador is expecting to receive the Italian reply at any moment. The delay in the reply, although explained on the basis of Mussolini's absence, has given rise to conjectures as to the possibility that it may be deferred pending consultation between Rome and Berlin and in this connection the importance of Germany as a factor in the situation (see my 291, July 25, 3 p. m.) has developed to the extent of arousing suspicions in certain circles that Hitler with Mussolini's consent is planning to create an incident in relation to the Spanish conflict which would result in the establishment of Germany on North African territory. Those who entertain this suspicion, however, are unable to reconcile such an intention with the policy which Mussolini has declared of avoiding further complications in Europe and with the belief that neither Hitler nor Mussolini would be willing at this time to arouse the opposition of Great Britain which would result from such a move.

Meanwhile the inspired press here has given no intimation of the Italian reply to the French proposal although there is the opinion that the Italian Government will find it difficult, even if it so desires, to reject the proposal altogether and that the reply will probably be favorable with certain reservations. One of the leading afternoon

papers points out that there should be no difficulty in arriving at a declaration of neutrality as opposed to non-intervention through the recognition of two contending parties in Spain as belligerents. The Italian papers continue to publish reports under foreign date lines of the sale to Spain of airplanes and material originating in France, Great Britain, Belgium and Russia.

KIRK

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852.00/2427: Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 5, 1936—7 p. m.

[Received August 5—3:30 p. m.<sup>29</sup>]

720. We understand that largely on the advice of the British the French have inquired of the German, Belgian, Portuguese, Russian and Polish Governments their views regarding the matter of a declaration of non-intervention in the affairs of Spain. The press reports that the British have agreed in principle to the French appeal and that the Belgians have accepted outright. An official of the Foreign Office told me today that these inquiries have been made in the most informal manner and that it may be 2 or 3 days before the replies from the other Governments are received.

In a conversation today with the Counsellor of the German Embassy, he stated to me that his Government had indicated in reply to the French that there would be no difficulty on their part in joining in such a declaration provided the Russian Government was likewise invited to join and accepted. He also said that he understood that the British Government had counselled the French Government against trying to hold a conference on this subject feeling that the consultations should preferably take place by ordinary diplomatic channels. He added that the German Embassy here under instructions from its Government had inquired of the French Foreign Office regarding a report received from the German Embassy in Madrid to the effect that the Dean of the Diplomatic Corps in Madrid had appealed through the respective diplomatic representatives of the Governments of France, Italy and England to send troops to Madrid to protect foreign residents in the event that the Spanish governmental forces should withdraw from Madrid and disorders ensue. The French Foreign Office replied to the German Embassy that there was no foundation so far as it knew for this report and that in any case the French Government had never given any consideration to sending troops into Spain. The German Counsellor expressed the view that it was of the

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<sup>29</sup> Telegram in four sections.

utmost importance that early agreement upon a statement of non-intervention in Spanish affairs be arrived at among the principal interested powers since at any moment a serious international incident might be provoked.

In the Chamber of Deputies yesterday during a debate on the June deficiency bill the Minister of Air, Pierre Cot, was questioned concerning the truth of a report that four French planes despatched to Spain by the French Government for the purpose of repatriating French refugees had been commandeered by the Spanish regular authorities and immediately put into military use, in certain quarters the inference being made that the French Government had used an underhand method thus to provide the Spanish Government with planes. Cot replied that he had read these reports in the press but that it was the function of the Minister for Foreign Affairs to inquire into such a requisition of planes.

Last night the Quai d'Orsay gave out a statement to the press denying reports that the French Government had sent planes to the Spanish Government in an underhand manner, stating that at the request of French representatives in Spain the Government after having first obtained from the Spanish Government the assurance that these planes would not be requisitioned had sent three unarmed civil planes belonging to a private transportation firm to establish regular communication between Madrid and Alicante from which point French nationals were to be embarked for Oran. As soon as the service was commenced on July 29 the French Government was informed that one of the three planes had been requisitioned by the local authorities at Alicante. Twenty-four hours later it was advised that the other two planes had been similarly requisitioned at the same place. On July 29th the French Consul at Madrid made a *démarche* to the Spanish Government on this point which he renewed on July 31. The Spanish Government on August 2 decided to yield to the demand of the French Government and the decision to lift the requisitions was communicated to the French representative in Madrid by the Under Secretary of State on the morning of August 3.

There has been considerable comment in the press concerning the reported courtesy visit of the commanding officer of the German cruiser *Deutschland* and of officers of the German destroyer *Luck* to General Franco at Tetuan. All of this comment is to the effect that this proves that Germany is actively interested in the Spanish situation on the side of the rebel forces, Pertinax stating in addition that the fact that the German Government has sent to the Straits its most powerful vessel shows that it intends to be among those who will regulate any new problems arising either in Spanish Morocco or in the Mediterranean.

Considerable mention is made in the Left press of an appeal signed by the National Committee of the Rassemblement Populaire to obtain a subscription of 15 million francs for the assistance of the Madrid Government in its fight against Fascism.

Mailed to Geneva, London, Berlin, Rome.

WILSON

852.00/2452 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 6, 1936—5 p.m.

[Received August 6—3:20 p.m.]

316. My 314, August 5, 5 p. m. An official communiqué published this afternoon states that the following are the points of the oral reply given by the Italian Minister for Foreign Affairs to the French Ambassador following the proposal presented orally by the latter for an Italo-Franco-British agreement of non-intervention in Spanish affairs:

“First, Italy agrees in principle to the idea of non-intervention in the Civil War which is afflicting Spain.

Second, Italy asks whether the moral solidarity with one of the parties in conflict which has been and is being expressed through public demonstrations, press campaigns, money subscriptions, enlistment of volunteers, et cetera, does not already constitute a blatant and dangerous form of intervention.

Third, Italy desires to know whether the agreement of ‘non’ intervention will have a universal character or not, whether it will bind only the Governments or also private individuals.

Fourth, Italy desires to know whether the Government making the proposal has also in mind methods of checking up on the observance of the pledge of ‘non’ intervention.”

The Government spokesman insists in tonight’s *Giornale* that the agreement for “neutrality” must be absolute and universal including all countries that might give assistance to either side, not representing merely a generic incomplete and equivocal official manifestation. After noting the funds collected in Russia for transfer in French francs to Spain, the enlistment of volunteers in France, and public declarations of official newspapers and political leaders in France in favor of the Madrid Government and in opposition to Fascism and Naziism, Gayda<sup>30</sup> points out that to declare war on those two schools of political thought is simultaneously an act of political aggression against Italy and Germany—two countries from which the French Government desires a declaration of neutrality. Such manifestations

<sup>30</sup> Virginio Gayda, editor of the *Giornale d'Italia*.

threaten to divide Europe into political blocs far more dangerous even than military blocks. In conclusion he says that it is up to the proposing Government to indicate the methods whereby there will be a check-up on the observance of non-intervention and that the Italian Government will promptly and benevolently consider all efficacious suggestions Paris may make in this connection.

The above editorial is immediately followed by a despatch from London stating that it has been learned from an absolutely reliable source that the Spanish Ambassador to London has placed the following orders with the Vickers Armstrong concern against payment in cash and gold and to be shipped on British vessels: 2000 anti-airshells and 2000 other shells for the cruiser *Cervantes*, 3000 highly explosive shells for the destroyer *Antequera*, 5000 shells for the destroyer *Churruca*. The despatch concludes with the statement that the above information cannot be denied. This report in turn is followed by despatch from Moscow announcing a subscription of funds in Russia for transmission to the Government of Madrid.

KIRK

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852.00/2450 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 6, 1936—7 p. m.

[Received August 6—4:30 p. m.<sup>31</sup>]

726. At the luncheon which Minister of Foreign Affairs Delbos gave for Grover Whalen<sup>32</sup> today I had an opportunity to talk at length with him. He spoke frankly about the Spanish situation and the very serious concern which it gives him. He said that the French Government has conclusive proof of aid given to the rebels not only by the Italian Government but by the German Government as well. Five German airplanes, three of them large transport planes, had been flown to Spanish Morocco and turned over to Franco—"and this could not happen without the approval of the German Government"; furthermore the French Government knew that the *Deutschland* had landed bombs in Spanish Morocco for the rebels. As regards Italian aid he said that the French Government now knew that the flight of Italian Air Corps planes to Morocco, two of which landed in French Morocco, was headed by a colonel of the Italian Air Force; that the Italian Air Corps personnel who manned the planes had been enrolled for this duty at least as early as July 20 and that a pay slip was found on one of the airmen indicating that he had drawn his pay

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<sup>31</sup> Telegram in six sections.

<sup>32</sup> President of New York World's Fair 1939, Inc.

from the Italian Air Corps in advance through July 31. (Vienot, the Under Secretary of State for Foreign Affairs, with whom I also talked told me that there were certain indications, which the French Government was trying to substantiate, that some of these airmen had been enrolled for this duty as early as July 15; if substantiated this would show, he said, that there was complicity between the Italian Government and the rebels as to the time for the outbreak of the revolt.)

Delbos said that there was no doubt in his mind that both the German and Italian Governments had made arrangements with the rebels which in the event of the latter's success would give these Governments bases in Spanish Morocco and the Spanish islands "thereby cutting off our communications with North Africa".

He said that the French proposal of non-intervention to the other powers was in effect that they should join in signing a declaration that they would prohibit the shipment of war materials to either side in Spain. When I asked if this declaration would be based on what Cranborne<sup>23</sup> had recently stated in the House of Commons was the present British policy including freedom of shipment for commercial aircraft, Delbos replied that the French Government was proposing "the strict prohibition of war material in the broadest possible interpretation of that phrase including all types of aeroplanes". Whether other Governments would accept this was, he added, another matter. In referring to the Foreign Office's communiqué August 1, I said that I assumed that the reservation of freedom of judgment as to the application of the French Government's decision not to export war material referred only to the future and that pending the receipt of replies from all the Governments consulted this prohibition was being maintained. The Minister replied that the French Government had proposed to the other Governments to follow the same policy as that which had been followed here, namely, the strict prohibition of the exportation of war material or aeroplanes to Spain. This appeal had been made last Saturday. A delay was taking place in replies from certain powers and in the meantime the French Government knew that certain powers were actually furnishing aeroplanes and war material to the rebels. Under such circumstances the Minister said "it would be ridiculous" for France to continue to forbid all shipments of war material to Spain (the inference is, I think, clear).

The Minister said that he had just been informed that the Italian reply had been received but he did not yet know all the details thereof although was advised that it "raised a number of points". I asked whether he believed that in view of his conviction that the German

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<sup>23</sup> Viscount Cranborne, British Parliamentary Under Secretary of State for Foreign Affairs.

and Italian Governments had made arrangements with the rebels and had been furnishing them war material these Governments would be able to accept without reservation the French proposal of a declaration of non-intervention. He replied that if these Governments did not accept the proposal and live up to their acceptance the other powers would know where Italy and Germany stood as regards Spain. He added that the French proposal was a door which had been opened to a peaceful solution of this dangerous situation and he hoped with all his heart that the proposal would be accepted.

The Minister also said that the action of the Spanish rebels was a clear violation of the provisions of the 1912 treaty between France and Spain<sup>34</sup> and that the French Government would be entirely in its rights in demanding that the rebels clear out of Spanish Morocco. However, he said there were obviously other considerations involved and the French Government was not considering taking any such step.

In speaking of the recent tripartite meeting at London, the Minister said that France had shown a broad spirit of concession there; there were a number of obvious points which the French Government might have raised regarding German failure to live up to obligations but the French Government had not wished to put any obstacles in the way of the possibility of coming to some reasonable arrangement with Hitler. He said that he knew that the British Government appreciated the spirit which the French representatives had at the London meeting and added that the Five Power Locarno conference<sup>35</sup> had been projected as affording an opportunity for Hitler to show his good faith.

WILSON

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852.00/2545

*Memorandum by the Acting Secretary of State*

[WASHINGTON,] August 7, 1936.

The French Chargé d'Affaires called upon me to advise the Department of the various steps that had been taken by his Government to obtain non-interference by other governments in the Spanish situation. He gave me briefly the substance of the replies which had been received from England, Italy, Germany, and Belgium. The British had agreed at once to accept the French proposition and so had the Belgians. Italy and Germany, while accepting in principle, had asked for certain definitions and clarifications. This M. Henry said was "all old stuff" and had already appeared in the press.

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<sup>34</sup> Convention and protocol signed November 27, 1912, *British and Foreign State Papers*, vol. CVI, p. 1025.

<sup>35</sup> See vol. I, pp. 180 ff.

This afternoon he was in receipt of a telegram from his Government containing a new French project which had been sent forward yesterday to the various interested governments. Already the British had sent a reply of acceptance. Under instructions, M. Henry left with me the accompanying copy and said, as there was no publicity as yet with regard to it, he would not, if questioned by the press, say more than that he had merely called to keep the Department informed with regard to developments.

WILLIAM PHILLIPS

[Annex—Translation]

*French Draft of Declaration*

The Governments . . . . . deploring the tragic events of which Spain is the theatre,

Being decided to abstain strictly from any interference, direct or indirect, in the internal affairs of that country,

Animated by the wish to avoid any complication prejudicial to the maintenance of good relations among nations,

Make the following declaration :

1. The Governments named above prohibit, each one so far as it is concerned, the exportation, direct or indirect, the reexportation and transit, with Spain, the Spanish possessions or the Spanish Zones of Morocco, as destination of all arms, ammunition and war materials, as well as all aircraft, assembled or not assembled and all war vessels.

2. This prohibition applies to contracts in course of being filled.

3. The Governments . . . . . shall keep each other informed of all measures taken by them to give effect to this declaration, which shall have immediate application.

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852.00/2462 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, August 7, 1936—2 p. m.  
[Received August 7—11 : 10 a. m.]

16. General Franco has sent ultimatum threatening occupation of Tangier Zone within 48 hours from last night unless Spanish war sloop *Tofino* in harbor departs from port, alleging that sloop is being used for communicating military information and directing movement of Government fleet. He also demands disarmament of Spanish colony which he alleges is armed.



Spanish representative has just requested my intervention which I have refused on grounds that the United States Government is not a party to the Tangier Convention and that the international neutrality of Tangier is under the supervision of the Committee of Control. If, however, emergencies arose in which my good offices were solicited by all parties concerned I would with the consent of my Government render any assistance possible in the interest of the protection of civil population of Tangier.

BLAKE

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852.00/2510a : Circular telegram

*The Acting Secretary of State to All Consulates in Spain* <sup>36</sup>

WASHINGTON, August 7, 1936—5 p. m.

While I realize that all of our officers have fully appreciated the necessity for maintaining a completely impartial attitude with regard to the disturbances in Spain, and that such an attitude has at all times been maintained by them, it may be well for them to have a summing up of what this Government's position thus far has been and will continue to be.

It is clear that our Neutrality Law <sup>37</sup> with respect to embargo of arms, ammunition, and implements of war has no application in the present situation, since that applies only in the event of war between or among nations. On the other hand, in conformity with its well-established policy of non-interference with internal affairs in other countries, either in time of peace or in the event of civil strife, this Government will, of course, scrupulously refrain from any interference whatsoever in the unfortunate Spanish situation. We believe that American citizens, both at home and abroad, are patriotically observing this well-recognized American policy.

PHILLIPS

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852.00/2488 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

ST. JEAN DE LUZ, August 8, 1936—noon.

[Received 5 p. m.]

55. Department's circular telegram August 7, 5 p. m. Our diplomatic representatives in Spain have acted in conformity with the spirit

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<sup>36</sup> Sent also to the Embassy at Madrid, the Legation at Lisbon, the Diplomatic Agent at Tangier, and to Ambassador Bowers at St. Jean de Luz.

<sup>37</sup> Joint resolution approved August 31, 1935; 49 Stat. 1081.

of the circular. Regret that too many Americans here have been expressing open partiality for the rebels. In this connection Prieto<sup>38</sup> in a much advertised special article in his Bilbao paper comments sarcastically on the much proclaimed "neutrality" of European nations. He says there is a legitimate legal Government in Spain, overwhelmingly voted in 4 months ago, which certainly has not been overthrown and that a declaration of neutrality as between this legal Government and military rebels is an indirect slap at the legitimate Government and an indirect pat for the rebels. The article is not bitter, but mildly sarcastic and carries threat the neutrality proposals in Europe grow out of the dangers of a European war if Germany and Italy openly support the rebels and France supports the Government. Since we are not here involved you may wish to consider the wisdom of refraining publicly from the use of the word "neutrality" at this juncture of events and confining ourselves to the protection of the lives of Americans.

BOWERS

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852.00/2489 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 8, 1936—1 p. m.

[Received August 8—1 p. m.]

X-37. Department's circular strictly confidential, August 7, 5 p. m. Necessity for maintaining completely impartial attitude with regard to the disturbances in Spain is fully appreciated by Embassy and Consulate. We have urged this necessity upon Americans here and the fact that no Americans have been killed or injured thus far seems to warrant belief that they are observing impartial attitude.

WENDELIN

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852.00/2490 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 8, 1936—1 p. m.

[Received 3 p. m.]

320. My 311, August 4, 6 p. m. The Italian Government has received the formula proposed by the French as a declaration of non-intervention in the Spanish conflict. I was informed at the Foreign

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<sup>38</sup> Indalecio Prieto, a leader of the Spanish Left, appointed Minister of Marine and Air, September 1936.

Office this morning that a study was being made of this formula but that no decision would be taken until it had been submitted to Mussolini who returns to Rome this afternoon. I understand on good authority that this formula in its present form does not meet the views of the Italian Government as outlined in its reply to the original French proposal (see my 319, August 7, 5 p. m.<sup>39</sup>).

I was told at the Foreign Office that the Italian Government had taken no decision to land troops in Spain to protect its nationals and the officials with whom I spoke emphasized the extreme danger inherent in any such undertaking as well as its probable inefficacy. It appears that at one time consideration was given to the possibility of evacuating Italians in Spain by aeroplane but that the project was abandoned as it was feared that the planes would be seized in Spain. This project may explain the increased activities in aviation which have been rumored to have taken place near Genoa and in Sardinia. No reports of any special movement of Italian naval vessels in that area have been received. A report however is being circulated here to the effect that practically all the surface units of the German fleet are proceeding to Spanish waters.

The alarm with which the situation in Spain is viewed here is still acute and is manifest throughout the Government. Although Mussolini has been away from Rome for several days he is reported to have shown in conference greater anxiety than at any time during the entire course of the Abyssinian conflict.<sup>40</sup> Italian officials continue to add thereto the importance of the Spanish conflict in itself but their chief preoccupation is in relation to the development of Soviet propaganda and the manifest growth of Communism in Europe. They say that insofar as Italy is concerned the Fascist regime is doing everything in its power to improve the condition of the people in the hope that it will be possible to meet their needs and direct their forces into more orderly channels. They profess to see no means available whereby those countries in Europe opposed to the Communistic system might stop once for all the trend toward Communism and declare that the most that can be expected is that the Governments of those countries may be able to satisfy the aspirations of the masses so that they will not resort to force. The actual state of terrorism in Spain and the dangers inherent in the present trend in France prove, they maintain, the momentum which Communism has gained and the direct menace [with?] which the countries opposed to that system are immediately confronted.

KIRK

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<sup>39</sup> Not printed; but see telegram No. 316, August 6, 5 p. m., from the Chargé in Italy, p. 466.

<sup>40</sup> See vol. III, pp. 34 ff.

852.00/2546

*Memorandum by the Assistant Chief of the Division of Western European Affairs (Hickerson) to the Acting Secretary of State*

[WASHINGTON,] August 10, 1936.

Mr. Boisanger, Second Secretary of the French Embassy, came in to see me at 2:30 this afternoon and read to me various telegrams which they have just received from Paris relating to Spain. The first telegram related to the alleged request of the Chilean Ambassador, Dean of the Diplomatic Corps in Madrid, that various Governments give assurances that in case of necessity they would be prepared to move troops to Madrid to protect the Diplomatic Corps. In this telegram, the French Government stated that they could not even consider giving any such assurances. Mr. Boisanger asked if we had received a similar inquiry and I told him that we had not, but that the British Embassy had communicated to us the sense of their reply to this inquiry which was in line with the reply of France.

Mr. Boisanger next read to me a telegram giving the reaction in various capitals of Europe to the French neutrality proposal, a copy of which was handed to you on August 6 by the French Chargé. The British Government was stated to be in accord with the proposal insofar as existing British law permitted. The Italian Government reserved its position in respect to the matter and stressed the importance of "moral disarmament." The German Government also reserved its position but pointed out that no arms, planes or other implements of war had been exported to Spain. The German Foreign Minister expressed in general sympathy with the project but referred to the fact that some sort of "naval control" might be necessary to insure its enforcement.

Mr. Boisanger then read me a telegram in which it was stated that the French Government had decided to place in effect the provisions of its neutrality declaration without waiting for answers from other countries and that France would not authorize the exportation of any arms, ammunition or implements of war to Spain. The telegram then went on to say that the French Government was confident that other Governments would emulate its example in this matter.

JOHN HICKERSON

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711.00111 Lic. Martin Company, Glenn L./2

52

*Memorandum by the Assistant Chief of the Office of Arms and Munitions Control (Yost)*

[WASHINGTON,] August 10, 1936.

Mr. Hartson, of The Glenn L. Martin Company, telephoned this morning to inquire as to the attitude of this Department toward the

sale of eight bombing planes to the Spanish Government. Mr. Hartson said that an agreement for the sale of these planes had been negotiated with the Spanish Government last February and that the planes had gone into production at that time. The sale later fell through, however, when the Spanish Government refused to make payment in dollars in New York.

Mr. Hartson said that he had this morning received a wire from the Air Ministry at Madrid saying that they were now ready to pay cash in New York and requesting immediate delivery of the planes. Mr. Hartson said it would be impossible to complete the planes and make delivery before November at the earliest, but that he wished to ascertain the attitude of this Department before replying to the Spaniards. I replied that I did not know whether the Department would wish to express an opinion in the matter but that I would consult my superiors and inform him.

Mr. Hartson telephoned again in the afternoon and I told him that he would receive our reply in the morning. He expressed the opinion that, though this Government might have the authority to prohibit the export of these planes to Spain, it could not prevent him from signing a contract with the Spanish Government for their manufacture. He said that he expected to demand fifty percent down payment in cash and fifty percent in an irrevocable letter of credit on New York. He hoped that, by November, the situation in Spain would have quieted down and there would be no possible objection to the export. He added that he expected to come to Washington tomorrow to consult the Department and to see Major Franco<sup>41</sup> at the Spanish Embassy.

CHARLES W. YOST

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711.00111 Lic. Martin Company, Glenn L./5

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*The Acting Secretary of State to the Glenn L. Martin Company,  
Baltimore, Maryland*<sup>42</sup>

WASHINGTON, August 10, 1936.

SIRS: In reply to your inquiry, I beg to say that the attitude and policy of this Government relative to the question of intervention in the affairs of other sovereign nations has been well known especially since the conclusion of the Montevideo Treaty of 1933.<sup>43</sup>

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<sup>41</sup> Major Ramón Franco-Bahamonde, Air Attaché of the Spanish Embassy at Washington.

<sup>42</sup> Substance of this letter was communicated in telegram No. 307, August 15, noon, to the Ambassador in the United Kingdom, with instructions to repeat to the Ambassadors in France, Germany, Italy, and Spain (711.00111 Lic. Martin Company, Glenn L./6).

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<sup>43</sup> Convention on Rights and Duties of States, signed December 26, 1933, *Foreign Relations*, 1933, vol. iv, p. 214.

For your further information, I enclose a copy of a circular telegraphic instruction which was recently sent to certain consular representatives in Europe<sup>44</sup> and which has not been made public up to the present.

I desire to call especial attention to the reference therein to our neutrality laws and to the fact that they have no application in the present Spanish situation, since they apply only in the event of war between or among nations.

Furthermore, I invite your attention with equal force to the reference, in the same circular instruction, to this Government's well established policy of non-interference with internal affairs in other countries, as well as to the statement that this Government will, of course, scrupulously refrain from any interference whatsoever in the unfortunate Spanish situation. At the same time the Department expressed the opinion that American citizens, both at home and abroad, are patriotically observing this recognized American policy.

In view of the above, it seems reasonable to assume that the sale of aeroplanes, regarding which you inquire, would not follow the spirit of the Government's policy.

Very truly yours,

WILLIAM PHILLIPS

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852.00/2515 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 10, 1936—7 p. m.

[Received 7:33 p. m.<sup>45</sup>]

738. The communiqué issued on Saturday evening after the Council of Ministers had approved the decision taken by the Cabinet on Friday regarding the renewal of the Government's declaration of non-intervention in Spain seems to us to call for certain comment as follows:

1. The communiqué makes it clear that contrary to the impression given by the communiqué of August 1st the French Government has been permitting certain deliveries to Spain i. e. deliveries by private manufacturers of "unarmed airplanes". An unofficial statement reported to have been given out later was to the effect that these exports had been very limited and could have had no influence on the conflict.

2. The use of the phrase "unarmed airplanes" instead of "commercial" or "civil" airplanes is of interest. (A competent observer who has just returned by air from Spain tells us that on last Saturday morning he saw at an air field in Barcelona three new French planes, two of which were pursuit planes and one fitted bomber.)

3. The communiqué in its statement that the French Government has "suspended" the "exportations" to Spain would now seem to indicate

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<sup>44</sup> Circular telegram of August 7, 5 p. m., p. 471.

<sup>45</sup> Telegram in two sections.

definitely that even the delivery of "unarmed airplanes" by private manufacturers is no longer being permitted.

4. While the text of the communiqué is silent as to any reservation of freedom of action for the future it is understood that following the issuance of the communiqué unofficial statement was given out to the effect that this decision of the French Government remains conditional subject to other states conforming thereto.

We are told by a usually well-informed source that the meeting of the Cabinet on Friday was a stormy one, Cot in particular urging that in view of the undoubted aid being given to the insurgents by Italy and Germany deliveries of war material should be allowed to go forward to the Spanish Government; however, Delbos and Daladier insisted that if the French non-intervention proposal was to have any hope of success thereby preventing the Spanish conflict from developing into an international one it was essential that France should make it clear that she was living up to the obligations of non-intervention which she was asking other powers to adopt. Our informant states that Delbos and Daladier even went so far as to threaten to resign if such a policy was not adopted. It would therefore seem that once again the moderate elements in the Government have prevailed in this matter. There is, however, undoubtedly great pressure from the Extreme Left being brought on the Government to pursue a policy more favorable to the interests of the Spanish Government. There have recently been two large mass meetings of adherents of the Front Popular at which demands were made that aid be given the Spanish Government.

The press for the last day or so has been a little more optimistic and speaks of a slight lessening of the international tension. The British support in other capitals of the French proposal for non-intervention has had a heartening effect here.

WILSON

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852.00/2516a : Telegram

*The Acting Secretary of State to the Chargé in France (Wilson)*

WASHINGTON, August 10, 1936—7 p. m.

304. A press report this afternoon from London states that the French Government is preparing to invite the American Government to adhere to the proposed European Pact of Non-Intervention in the Spanish civil war.

Please telegraph at once any information which you can obtain respecting the correctness of this report. A similar telegram is being sent to London.

PHILLIPS

852.00/2692

*Memorandum by the Acting Secretary of State*

[WASHINGTON,] August 11, 1936.

M. Henry, the French Chargé d'Affaires, called me on the telephone at my house shortly after 8:30 A. M. to say that he had just noted in the morning press telegrams from Paris to the effect that the French Government would ask the United States to join with other European nations in a pact of impartiality with regard to the Spanish situation.

M. Henry desired me to know at once that these press reports were incorrect and that the French Government was not going to ask any such action on the part of the United States; in view of the publicity, however, he hesitated to come to see me at the Department and he asked whether I would lunch with him at the Embassy today, saying that he would be grateful for any information which I could properly give him with regard to our position.

At our luncheon conference I read to M. Henry the Department's circular telegraphic instruction of August 7th to our consular officers in Spain and I also read to him, without mentioning any name, the letter which we had sent to the Glenn L. Martin Company under yesterday's date.

The Chargé d'Affaires thanked me for this information and said he realized that we had gone just as far as we properly could in the absence of legislation; he said he had explained to his Government fully the position of this Government along the lines contained in our circular instruction,—that our neutrality legislation did not apply in the Spanish case, but that the press, at least, had given the clear indication that it was sympathetic to the step which the French Government had taken in inviting other European countries to observe a position of complete impartiality; he had also cautioned his Government from time to time against taking any action which would seem to ask the United States to commit itself with other European nations and he was confident, therefore, that his Government fully understood our position here and would not take any such step; it was true, he said, that Von Neurath, in a conversation with the French Ambassador in Berlin, had made the remark that the attitude of the United States in this whole matter was one of great importance to Germany and all of the European nations.

Before I left M. Henry reemphasized the fact that he had received no instructions to ask anything from this Government; in inviting me to the Embassy he was merely seeking to obtain whatever information he could as to our attitude and he appreciated the response which I had made to his request.

WILLIAM PHILLIPS



852.00/2517 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 11, 1936—1 p. m.  
[Received August 11—7:40 a. m.]

740. Your 304, August 10, 7 p. m. I have spoken with Bargeton<sup>46</sup> who says that the report is "absolutely inexact". He said that a few days ago the French Chargé d'Affaires in Washington had been instructed to inform the State Department of the proposed non-intervention pact; and that while the French Government would of course be pleased if the American Government should desire to adhere thereto it was not the intention of the French Government to "invite" such adherence.

Repeated to London.

WILSON

852.00/2520 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Secretary of State*

LONDON, August 11, 1936—2 p. m.  
[Received August 11—9:55 a. m.]

393. Your 299, August 10, 7 p. m.<sup>47</sup> The French Embassy has no information that the American Government will be invited to adhere to the proposed European pact of non-intervention in the Spanish civil war. It was stated confidentially that Von Neurath, is [*in?*] discussing the proposed agreement for keeping war material out of Spain, had suggested to Poncet, French Ambassador at Berlin, the advisability of some form of joint naval surveillance of the Spanish coasts, but had added that this action might involve subsequent difficulties with the United States.

From a reliable source the Embassy learns that the British Ambassador in Berlin has reported to the Foreign Office that Von Neurath considers adherence of the United States to the proposed agreement essential to make it effective.

Repeated to Paris.

BINGHAM

<sup>46</sup> Paul Pierre Bargeton, Director of Political and Commercial Affairs in the French Foreign Office.

<sup>47</sup> See last sentence of telegram No. 304, August 10, 7 p. m., to the Chargé in France, p. 477.

852.00/2525 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 11, 1936—4 p. m.

[Received August 11—1 p. m.]

327. My 320, August 8, 1 p. m., first paragraph. I understand that the Italian Minister for Foreign Affairs communicated to the French Ambassador here the views of the Italian Government on the formula for the declaration of non-intervention in Spain as submitted by the French Government. The Italian Government, I am informed, accepted the formula as to non-intervention and as to the agreement not to supply arms, munitions and war material to the contending parties in Spain which the French proposal is said to contain but proposed to extend that prohibition to include the collection of funds for transfer to Spain and the enlistment of volunteers on the territories of the Governments joining in the declaration. The Italians proposed also that, instead of the agreement to exchange information on the measures adopted by each country to carry out the provisions of the declaration which the French are said to have recommended, a system should be set up to supervise or control the effective operation and application of those provisions.

The Italian authorities have so far made no announcement on the foregoing and have replied to inquiries with the statement that the matter is in the course of negotiation.

The Italian press publishes today reports from abroad to the effect that the French proposal of non-intervention in Spain may be submitted to the United States Government together with references from foreign newspapers to the difficulties which would confront the American Government in enforcing the terms of the proposed declaration of non-intervention.

KIRK

852.00/2526 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, August 11, 1936—5 p. m.

[Received August 11—1 : 35 p. m.]

251. Conversation with representatives of the Foreign Office reveal about the same attitudes the press reports as to German-Spanish relations. The one thing all insist upon is absolute neutrality of Germany and the conviction prevails here that Italy will remain neutral. The protests as to treatment of Germans in Spain will not lead to intervention. Ships are sent in the hope of relief. However, there is

widespread diplomatic feeling here that no real decisions can be made soon in Spain, there being no real leadership on either side. Neurath himself said as much but he added that all peoples are committing harikari on account of foolish commercial policies.

We will cable the Department the moment we learn anything that seems conclusive.

DODD

852.00/2572 : Telegram (part air)

*The Minister in the Netherlands (Emmet) to the Secretary of State*

THE HAGUE, August 12, 1936—1 p. m.

[Received August 13—6:33 a. m.]

29. The Netherlands Government's reply to French *démarche* in respect to non-intervention in the Spanish conflict gives assurances that pending the conclusion of a collective agreement it will not give permission, within the frame of existing Dutch law, for the export or transit of arms and ammunition to Spain.

EMMET

852.00/2549 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 12, 1936—1 p. m.

[Received August 12—11:45 a. m.]

X-48. Competent representative of French Government here confirms arrival of French planes at Madrid for use Spanish Government. Believed to be about 20 Potez and Breguet planes with French pilots.

WENDELIN

852.00/2574 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, August 12, 1936—6 p. m.

[Received August 13—1:40 p. m.]

6. Merida was taken by military forces yesterday afternoon thus effecting junction with General Mola's forces which hold Caceres. Fall of Merida also opens two principal highways to Madrid from the south.

Following war material arrived in Seville August 9: 10 new Savoia tri-motor bombing aeroplanes with about 20 Italian pilots, 18 Junker

tri-motor bombers mostly new with about 30 German pilots, 2 additional units of similar kind to arrive later, 6 German pursuit planes capable of 450 kilometers and 6 German anti-aircraft guns of latest model with effective range of 700 meters. Ships are being tuned up and Spanish aviators are being instructed in their operation. First objectives are said to be: elimination Madrid aircraft which are preventing army of General Mola from deploying into plains before Madrid, destruction of Madrid airfield and Spanish warships in Straits of Gibraltar.

BAR

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852.00/2589 : Telegram

*From Naval Communications for the Information of the  
Department of State*

U. S. S. "QUINCY," [undated.]  
[Received August 14, 1936—10:15 a. m.]

0013. Following received from reliable source.

"12 airplanes [garbled group], land planes up to date in every way arrived from France landing at local Government aerodrome. These are pursuit planes 850 horsepower engines. Three planes were cracked up on landing; they carried places for machine guns, two on fuselage and two on upper wings. Planes came with French pilots some or all of these believed intending to stay in Spain. Two pilots are Italian, one or two German and three or four foreigners, no Americans. Reported to be rough crowd and soldiers of fortune. It is stated that they intend to take planes to Madrid. Six Botet planes also arrived making 18 in all that started for Barcelona. Botet planes carried gun turrets one in nose, one on top of fuselage behind the pilot and one below the fuselage, all had bomb racks, gun mountings but no guns. Planes believed to require expert handling and Spaniards not believed capable handling."

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852.00/2594 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 14, 1936—4 p. m.  
[Received August 14—1:40 p. m.]

756. The Council of Ministers met yesterday afternoon devoting the major part of the meeting to a consideration of the Spanish situation and to the reply to be made by the French Government to the Italian suggestions regarding the proposed non-intervention pact.

It is reliably reported that there was again considerable discussion in view of the reports received of continued assistance to the rebels

from Germany and Italy between the extremist and more moderate members of the Cabinet regarding the wisdom of continuing the present French policy of not permitting the export of war materials or airplanes to the Government in Spain. It is understood, however, that the Cabinet decided in favor of continuing the present policy and of making all possible efforts to bring about as soon as possible a neutrality pact.

It is, however, obvious that if it appears that tactics seeking delay are being pursued by other countries the French Government will not go on indefinitely in its present policy. It seems to be more and more believed here that the reluctance of the German Government to reply to the French proposal is based upon a feeling that time is working in favor of the insurgents and that German interest in a neutrality pact will become apparent only at such time as the insurgents may seem to have gained the upper hand in Spain.

As for the French reply to the Italian suggestions it is believed that the French Government has pointed out that existing laws do not permit the Government to forbid private subscriptions and that not only has there been in France no organized recruiting of volunteers for either side in Spain but that any attempt at organized recruiting here will be prevented. However, it was pointed out that neither France nor any other Government can prevent individuals from enlisting on either side in Spain.

The French Parliament closed after a session lasting until 7 o'clock this morning. The wheat bill and several financial measures were passed although a number of bills which had been introduced by the Government were left to be acted upon in the extraordinary session of Parliament which will probably convene some time in October.

WILSON

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852.00/2595 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, August 14, 1936—6 p. m.  
[Received August 14—2:10 p. m.]

254. With regard to Spanish neutrality agreement Foreign Office tells us that it will be unable to acquiesce until two points are cleared up. First, that the one German airplane and crew still under sequestration and arrest be released (this plane along with the four recently seized but released was also to be used for the evacuation of Germans from Madrid) and, secondly, with regard to the four Germans executed near Barcelona, that a special investigation be made and assurances given against any repetition of such occurrences in the future.

Foreign Office explained that while these points were not conditions the German Government feels that since its acquiescence in the proposed neutrality agreement would be favorable to Madrid Government the latter should be willing at the same time to satisfy the German Government in the manner indicated.

Copies to London, Paris, Rome.

DODD

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852.00/2602 : Telegram

*From Naval Communications for the Information of the Department of State*

U. S. S. "QUINCY," [undated.]  
[Received August 14, 1936—10 p. m.]

0014. Following received from reliable eye witnesses:

"Evening Tuesday 11th German destroyer *Leopard* arrived Palma, anchored in bay. Early Wednesday German cargo ship *Schleswig* arrived and anchored and *Leopard* moored at mole. An appreciable quantity arms and munitions unloaded, witnessed by local hotel and utilities employees, payment in gold. Also believed modern anti-aircraft machine guns received. Both vessels departed evening 13th after much fraternization between Germans and local Fascists."

Confirming this report guns using high explosive were noted used against air bombing attack this morning, Friday, for first time.

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852.00/2605 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 15, 1936—11 a. m.  
[Received August 15—8 a. m.]

335. My 327, August 11, 4 p. m. The French Ambassador tells me that serious difficulties are being experienced in connection with the negotiations with Italy regarding the declaration of non-intervention in Spain owing to the insistence on the part of the Italian Government that the collection of funds and the enlistment of men on foreign territories be specifically prohibited. He said that an accord might be reached on the latter point and that he has met with some success in his discussions here by making a distinction between "enlistment" and "recruiting." As regards the matter of financial aid, however, an agreement seems more remote in that the Italians are firm in insisting on a stipulation against the collection abroad and transfer of money to the contending factions in Spain as opposed to the establishment

of credits on behalf of those factions whereas certain other countries are more interested in allowing the collection and transfer of funds than in permitting the establishment of credits. The Ambassador added that as the French Government had submitted the original proposal not only to Italy but to other countries as well France was not free to make important alterations in that proposal solely to meet the views of the Italian Government. This consideration, however, does not seem to impress the Italians and consequently he envisaged the possibility that conversations might be protracted while in the meantime events in Spain were apparently developing towards some conclusion.

KIRK

852.00/2604 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Secretary of State*

LONDON, August 15, 1936—3 p. m.  
[Received August 15—9:25 a. m.]

401. I am reliably informed that a press report that the British Government is appealing to British firms and private owners to refrain from sending civil planes to either side in Spain is accurate and that an announcement on the subject probably will be given to the press this afternoon.

BINGHAM

852.00/2920

*The Minister in Portugal (Caldwell) to the Secretary of State*

No. 1018

LISBON, August 17, 1936.  
[Received September 1.]

SIR: Referring to my despatch No. 1009 of August 5, 1936, and to the final paragraph of my telegram of August 8, 1 PM.,<sup>48</sup> I have the honor to summarize as follows the course of recent negotiations as to the French proposal of non-intervention in the affairs of Spain.

As indicated in the telegram referred to above, the representatives of Great Britain and France called at the Foreign Office in Lisbon on August 7th and invited Portugal to adhere to the proposed policy of non-intervention. The Minister for Foreign Affairs, Dr. Armindo Monteiro, promised to give careful consideration to this invitation, but made certain observations in which he emphasized the special dangers for Portugal arising from the present situation in Spain. He also

<sup>48</sup> Neither printed.

suggested the possibility that Portugal might find it necessary for her own protection to go even so far as to recognize and assist the Burgos government. On this subject, I have received for my confidential information a copy of a despatch from the Belgian Minister, Count de Lichtervelde, in which he reported to his government on August 11th a detailed account of this interview as given to him directly by Dr. Monteiro, of which document a confidential copy is enclosed herewith.<sup>49</sup>

On August 10th, having received instructions from his government, Mr. Charles Dodd, Chargé d'Affaires of Great Britain, went to the Foreign Office to bring to Portugal the reassurances on the subject of security which the observations of Dr. Monteiro on August 7th seemed to require. In this interview, Mr. Dodd is reported to have said that Great Britain has a sympathetic understanding of the natural anxiety in Portugal created by the Spanish situation. He emphasized, however, the importance from the point of view of European peace of prompt and general acceptance of the proposed agreement for non-intervention in Spain. In this connection, he went on to point out that Portugal has the protection of the Covenant of the League of Nations<sup>50</sup> against any direct threat to its security; and he added that, in any great emergency, the attitude of Great Britain would continue to be governed by the terms of the existing treaty of alliance between England and Portugal.<sup>51</sup> Dr. Monteiro replied that he would again give careful consideration to these assurances and would reply as soon as possible to the proposal which he had received.

On the evening of August 13th, after prolonged conferences during that day between Dr. Salazar, the Prime Minister, Dr. Monteiro, the Minister for Foreign Affairs, and Mr. Sampayo, the Secretary General of the Ministry for Foreign Affairs, the representatives of France and Great Britain were given by Dr. Monteiro the reply of Portugal for which they had been waiting. In this reply, the Portuguese Government accepts in principle the proposed agreement for non-intervention, but reserves liberty of action in case an emergency arises involving the security of Portuguese frontiers or the internal peace and security of Portugal itself.

To the considerable anxiety of the French Minister, the newspapers for August 14th contained no reference whatsoever to the subject of non-intervention, but Dr. Monteiro's reply was published in full in the newspapers of August 15th. I am enclosing the text of this statement as it appears in the *Diario da Manhã*, semi-official organ of

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<sup>49</sup> Not printed.

<sup>50</sup> *Foreign Relations*, The Paris Peace Conference, 1919, vol. XIII, p. 69.

<sup>51</sup> For text of treaty of defensive alliance signed May 16, 1703, see *British and Foreign State Papers*, vol. I, p. 501. The earliest treaty of alliance was signed June 16, 1373, *ibid.*, p. 462.



the government, for that date, together with a complete translation of this document.<sup>52</sup>

In spite of the acceptance of the principle of non-intervention in this guarded and modified form, the French Minister, Mr. Amé-Leroy, with whom I had an informal conversation on this subject recently, told me that in view of the reservations contained in the document, he was still uncertain as to the actual policy which would be pursued by the Portuguese Government in this matter. He said that the Portuguese Government had accepted the principle of non-intervention with obvious reluctance and that, on account of the highly excited state of public opinion here in Portugal, it would be difficult for the Portuguese Government to avoid at least indirect assistance to the rival government in Burgos. He did not believe, however, that in view of the strong support which had been given to the French proposal by the Government of Great Britain, Portugal would be likely to accord actual recognition to the Burgos government in advance of similar action by larger countries.

There are other indications that the document now published does not necessarily mark any fundamental change of policy on the part of the Government of Portugal. Thus, it is currently reported that foodstuffs and other supplies are continuing to reach the revolutionary forces through Portugal in substantial quantities; and the newspapers of the fifteenth, including those of an almost semi-official character, reported the capture of Badajoz by the revolutionary forces with prominent statements in the headlines to the effect that "Portugal has now ceased to have any frontier with robbers and assassins". Similarly, in a recent conversation, the Secretary General of the Ministry for Foreign Affairs told me that, in his judgment, the choice in Spain was no longer between a republic and a military dictatorship, but rather between reasonable security and subversive anarchy; and this point of view is entirely evident from the reservations in the Portuguese reply.

The newspapers here in Lisbon have received the announcement of Dr. Monteiro's reply without enthusiasm, and praise the reservations rather than the central idea. In the circumstances, the actual policy of Portugal is still uncertain, and may be expected to depend quite as much on the course of military events in Spain as on the phrases of the official reply. This uncertainty is emphasized by an announcement that the British Ambassador, Sir Charles Wingfield, is interrupting his leave in England to return to his post in Lisbon in the next few days.

Respectfully yours,

R. G. CALDWELL

<sup>52</sup> Not printed.

852.00/2629 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, August 17, 1936—9 a. m.

[Received 9:47 a. m.]

66. Argentine Ambassador, Dean of the Diplomatic Corps, asked British Ambassador to notify me of a meeting of the Corps he is calling for Tuesday, 11 a. m., to consider mediation in the Civil War. Last night I told the British Ambassador that I think the proposal most premature, that we are all accredited to a legitimate legal government which is by no means overthrown, and that such a movement at this juncture may properly be resented by the constituted government as anti-government propaganda, and that the mere publication in the press of such a meeting for the purpose could be made to serve propaganda ends against the constituted authorities. I told him I would consult Washington before even attending. He agreed on all points and is telephoning London for instructions.

Argentine Ambassador is hostile to regime and I suspect his motives. My own impression is that such a meeting now would be offensive to the Government and that to countenance it to the extent of attending might be unfortunate since I am afraid the press would publish the purpose of the call and give the names of those attending. My suggestion is that I be instructed that since at this juncture the matter of intervention is premature I should not associate myself with the meeting. I am sure we should not associate ourselves with any mediation or intervention maneuver since this Civil War is developing into a European quarrel. Please wire instructions before tomorrow morning.

BOWERS

852.00/2629 : Telegram

*The Acting Secretary of State to the Ambassador in Spain (Bowers), Then in France*

WASHINGTON, August 17, 1936.

Your 66, August 17, 9 a. m. While the American Government deplores the terrible strife in Spain and devoutly wishes for peace at the earliest possible moment, our policy, as already announced, is to "scrupulously refrain from any interference whatever in the unfortunate Spanish situation". (See telegraphic circular of August 7 last.)

In these circumstances, you should not attend this proposed meeting.

PHILLIPS

852.00/2652 : Telegram

*The Minister in Uruguay (Lay) to the Secretary of State*

MONTEVIDEO, August 17, 1936—2 p. m.

[Received 4:35 p. m.]

32. Uruguayan Minister for Foreign Affairs on 15th addressed American states suggesting mediation of Spanish situation for which purpose efforts might be concerted at place to be decided, whether in seat of Pan American Union or other American capital.

In press interview Minister of Foreign Affairs explains reasons for initiative, stating "nations of the American continent cannot stand by indifferently while country to whom they owe so much is being torn asunder by civil war. It is not a question of a merely juridical mediation but of all kinds of a moral one inspired in an undeniable sentiment of solidarity and fellow feeling for the welfare and fate of the Spanish nation." Minister of Foreign Affairs stated he realized the difficulties standing in the way of a successful outcome of such a gesture but said it is not altogether impossible that it may overcome all skepticism. If the American Governments accept in principle, he said, they can then discuss ways and means of carrying it out.

Pro-Government press here gives publicity and applause to move. *El Pueblo*, Government organ, refers to it as but another evidence of the high pacifist tone of the Uruguayan Government in its foreign relations. Thus far opposition press has not commented other than to reproduce European and Washington cables questioning practicability of move.

LAY

852.00/2650 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 17, 1936—4 p. m.

[Received August 17—1:39 p. m.]

760. I called this morning on the new Spanish Ambassador de Albornoz who had asked to be received by Ambassador Straus. While he told me that he had confirmation today that the governmental forces had disembarked at Majorca and were attacking Palma and that they had occupied the outer defences of Gijon, the fall of Gijon Oviedo being expected. He certainly did not give me the impression of being very hopeful regarding the situation.

He said that he did not expect that anything useful would be accomplished by the French initiative for a non-intervention pact since the Germans and Italians were delaying their replies and in-

tended in his opinion to continue to furnish war material to the insurgents, whereas the French had their hands tied by their own initiative and were declining to let any war material go through to the Spanish Government.

WILSON

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852.00/2654a : Circular telegram

*The Acting Secretary of State to the Diplomatic Representatives in Argentina, Brazil, Chile, and Mexico*

WASHINGTON, August 17, 1936—7 [5?] p. m.

The Uruguayan Minister has informed the Department that the Uruguayan Minister for Foreign Affairs has addressed the American governments suggesting mediation of the Spanish situation, for which purpose efforts might be concerted at a place to be decided, whether in seat of Pan American Union or other American capital. The communication addressed to this Government has not yet been received.

Please seek an early interview with the Minister for Foreign Relations and after referring to the Uruguayan *démarche* state that your Government would be deeply interested in and appreciative of any comment or views he might care to express.

PHILLIPS

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852.00/2741

*The Uruguayan Minister (Richling) to the Secretary of State*

[Translation]

WASHINGTON, August 17, 1936.

MR. SECRETARY: I have received instructions from my Government to deliver to Your Excellency the following telegraphic despatch dated in Montevideo the 15th of this month and signed by the Minister of Foreign Relations of Uruguay, Dr. José Espalter:

“In the face of the civil war which bleeds the Spanish fatherland, the nations of the American continent, discovered and civilized by its genius, can not remain impassive spectators. War by itself has no end, as we ourselves learned in terrible struggles of other times, and it has no end because even though after much blood had been shed, and ruin and infinite pain inflicted, one of the parties in the struggle should impose its will on the other, the ferments of hatred and vengeance which remained alive would be such that the struggle would soon commence again with all its evils. If wars between nations, in which the contentants are animated by antagonistic aims and between which there is no sentiment which draws them together, can terminate in conciliatory solutions, it must not be thought that the same thing can not happen in the cases of civil wars in which, in the last analysis, all the combatants are inspired by adhesion to a common fatherland.

With this in mind, I have the honor to consult Your Excellency with reference to a cordial mediation to be offered to Spain by the American countries which, to this end, might act jointly either in Washington within the Pan American Union, or in any other American capital which might be chosen. I greet Your Excellency with my highest consideration."

I should be very grateful to Your Excellency if you would inform me of your views concerning this matter in order that I may transmit them to my Government.

I have [etc.]

J. RICHLING

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852.00/3016

*The Chargé in the Soviet Union (Henderson) to the Secretary of State*

No. 1814

Moscow, August 18, 1936.  
[Received September 5.]

SIR: I have the honor to attach hereto a translation of an announcement published in the Moscow *Pravda* of August 6, 1936, setting forth the reply made by the Soviet Government to the French proposal that France, Great Britain, Germany, Italy, and the Soviet Union enter into an agreement not to intervene in the internal affairs of Spain.<sup>53</sup>

It will be observed that the Soviet Government agreed to take part in such an agreement providing Portugal should also be a party thereto and providing there should be "an immediate cessation of aid being rendered by several states to the rebels against the Spanish Government".

Although almost two weeks have elapsed since the Soviet Government made its reply, an agreement has not as yet been reached among all the Powers concerned and, according to the Soviet press, both the Italians and the Germans are continuing to aid the Spanish rebels. The Embassy has nevertheless obtained the impression from conversations with various Soviet officials and members of the diplomatic corps that the Soviet Government is still willing to enter into an agreement similar to that proposed if it will not be so worded as to make it appear that the Soviet Government is taking any obligations on behalf of the Communist International and other international revolutionary or labor organizations maintaining headquarters on Soviet territory.

It is doubted if the Soviet Government would be willing, even in order to guarantee Spain from German or Italian intervention, to make any agreement which could be interpreted as an admission that it had any control over the Communist International or allied organ-

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<sup>53</sup> Enclosure not printed.

izations or that it could in any way be held responsible for the use to which might be put funds sent out of the Soviet Union by organizations or groups not formally connected with the Government.

It is probable, therefore, that the reservation contained in the Italian reply to the Soviet [*French*] proposal; namely, whether or not "moral solidarity which has appeared and is appearing in the form of public demonstrations, press campaigns, collection of funds, and the recruiting of volunteers is not a clear and dangerous form of intervention," is proving a stumbling block to the reaching of an agreement. I have heard, although not from entirely trustworthy sources, that following the receipt of the Italian reply the French and Soviet Governments endeavored without success to work out an agreement, the wording of which might satisfy Italians and at the same time would not obligate the Soviet Government to curb the activities of the international revolutionaries on Soviet territory or obligate it to prohibit the transferring of funds on behalf of non-governmental organizations to Spain.

Respectfully yours,

LOY W. HENDERSON

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852.00/2672 : Telegram

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

BUENOS AIRES, August 18, 1936—5 p. m.

[Received 7:25 p. m.]

164. Department's circular August 17, 5 p. m. In an interview this afternoon the Minister for Foreign Affairs referred to the Spanish situation as civil war towards which Argentina is now placed in an attitude of absolute aloofness under the law. He queried whether in the mediation suggested by the Uruguayan Minister for Foreign Affairs, the act of communicating with the rebels might not be tantamount to recognizing them as belligerents. He expressed doubt as to the timeliness of the Uruguayan proposal. He also referred to the possibility in such a *démarche* of seeming to [give in?] to either Communism or Fascism both of which in his opinion were undesirable. Saavedra Lamas continued that in a civil war a division between the contending parties must be sufficiently equal to warrant the recognition of a state of belligerency and that, under the law, only in such a case was mediation fitting. He told me that he intended to reply to the Uruguayan Foreign Minister expressing appreciation for the latter's suggestion and stating that Argentina would join with the other American nations in an appeal in the name of humanity for the cessation of hostilities. The Foreign Minister terminated by asserting that the Argentine Government would be glad to join in such an appeal but that it would not mediate.

Cox

852.00/2670 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 18, 1936—5 p. m.  
[Received August 18—1:32 p. m.]

336. My 335, August 18 [15], 11 a. m. The French Ambassador and the British Chargé d'Affaires called on the Minister for Foreign Affairs yesterday and under instructions of their Governments made urgent representations to the end that the Italian Government join in the proposal of "non-intervention" in Spain along the general lines formulated by the French Government. Discussions have been proceeding on the matters of enlistment and financial aid on which Italy has been insisting but the latest representations were particularly in the nature of a plea for speedy action to arrive at some form of agreement even though the final formula might not be equally satisfactory in every detail to all the participating governments and in this connection it was pointed out that any further delay would impair the value of the declaration and might give rise to conjectures as to the motives of any government which withheld its agreement. I understand that the French Ambassador feels that some progress has been made during the last few days in so far as the Italian Government is concerned and as Mussolini has returned to Rome, although he was expected to be absent for some time longer, the impression now prevails that this Government may give a reply possibly today or tomorrow.

I am informed that the Minister for Foreign Affairs in a recent conversation categorically denied that the Italian Government was guided by any ulterior motives in its policy towards Spain and branded as utterly false the allegations from abroad that Italy was looking towards tangible advantages in those parts.

KIRK

852.00/2671 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, August 18, 1936—6 p. m.  
[Received August 18—2:35 p. m.]

257. The following communiqué has just been issued by the semi-official news agency DNB:

(Translation) "As we learn from a competent source the French Government yesterday informed the German Government of a Franco-British agreement regarding the position to be taken with reference to the occurrences in Spain.

According to this the two Governments will prohibit the export of arms, munitions and implements of war as well as air and war ves-

sels to Spain, the Spanish possessions, and the Spanish zone in Morocco, as soon as the Italian, the Russian, the Portuguese and the German Governments shall have given their consent to this agreement.

The German Government has replied to the French Government that it is prepared on its side to issue a similar prohibition provided that (1) the German transport plane still held in Madrid by the Spanish Government shall be released and (2) all countries which possess industries for the production of war material and aircraft to an appreciable extent shall bind themselves similarly and that especially the delivery through private firms or persons shall be included in the embargo.

In addition the German Government has indicated that it would be urgently desirable if the governments concerned would extend their measures to include the prevention of the departure of volunteers to the conflicts in the districts coming into question."

An American journalist states that in response to inquiry at the Foreign Office he was told that the German Government is concerned principally with Czechoslovakia under the designation "all countries" in condition (2) and is not inclined to include the United States in this proviso.

In conversation with Italian Embassy this morning it was indicated that a German reply of this nature would shortly be published. We were told that the Italian Government, and it was thought also the German Government, while both desirous of participating in a neutrality agreement, felt there were serious difficulties in view of the difference in the position of Italy and Germany on the one hand and of France on the other. Germany and Italy were in a position definitely to prevent shipments of arms, departure of volunteers or propagandists, et cetera. Contrariwise, France would always be able to excuse any dereliction in this respect on the ground that she had no control over the actions of private individuals.

The Italian Embassy remarked that Italy could not contemplate the establishment of a Communistic state in the Mediterranean. In the course of the conversation, however, the Italian Embassy showed that it was fully aware of the dangers and inefficacy of intervention which it appeared anxious to avoid although in a quandary as to how to deal satisfactorily with the Spanish situation.

DODD

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852.00/2678 : Telegram

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

SANTIAGO, August 18, 1936—7 p. m.

[Received 7:28 p. m.]

85. Your circular August 17, 5 p. m. The Minister of Foreign Affairs feels that the Uruguayan *démarche*, although well intentioned,



would lead to no satisfactory result. The Spanish Minister to Chile told him this morning that his Government would certainly reject suggested mediation.

The Chilean Government has not yet replied to the Uruguayan proposal and would be glad to consider any suggestion by the Department.

PHILIP

852.00/2683 : Telegram

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

MEXICO, August 18, 1936—9 p. m.

[Received August 19—6:30 a. m.]

145. I talked this afternoon with Minister Hay who told me that he had received communication from Uruguayan Minister suggesting mediation in Spanish situation. He said that his Government could not take action suggested because it could not meddle in internal political affairs of any country. This was contrary to fixed Mexican policy. He added that Huerta<sup>54</sup> was ready for intervention because he thought it would strengthen him but the Revolutionists opposed it on principle. In the second place, he said that the proposed mediation could do no good because the chasm separating the Government and rebel forces was so deep it could not be bridged, their ideology was so far apart they must struggle until one obtained the mastery. He believed neither side would welcome mediation. These statements were made as soon as I broached the subject, showing that he had been giving it thought since receiving the communications from the Uruguayan Minister.

DANIELS

852.00/2699 : Telegram

*The Minister in Uruguay (Lay) to the Secretary of State*

MONTEVIDEO, August 19, 1936—10 a. m.

[Received 1:12 p. m.]

34. Referring to my telegram No. 32, August 17, 2 p. m., Minister of Foreign Affairs in press interview yesterday issued additional statement regarding his proposal in view of comments in certain

<sup>54</sup> Probably refers to Adolfo de la Huerta, who in 1920 joined forces with Alvaro Obregón and Plutarco Elias Calles against President Carranza, and served for a time as Provisional President of Mexico. In 1923-24 Huerta led an unsuccessful revolt against Obregón, then President of Mexico, and the latter's candidate for the Presidency, Calles. See *Foreign Relations*, 1920, vol. III, pp. 129 ff., and *ibid.*, 1924, vol. II, pp. 428 ff.

quarters to the effect that proposal was motivated by reasons other than those set forth by him. Following is full text of statement:

"It is being said that the gesture of this chancellery has some basis other than that to be understood from its terms. I can assure you that it has no motive beyond that already known: the motives of sentiment which are evident in the communication and which very often are beyond the grasp of reason itself.

I want to emphasize the nature of the mediation of the Uruguayan Government because it has not been sufficiently understood. As heretofore said in an interview in this same newspaper a few days ago, it is not a question of a juridical mediation, which would not be applicable except in the case of two bodies in conflict under international law, that is, in this emergency, after the belligerency of the contestants had been recognized. This is a gesture intended solely to submit to the American chancelleries the question of how to proceed for the purpose of bringing about the termination of the Spanish Civil War with the least possible delay.

In the present state of affairs if the gesture were to be acted upon the American Governments would approach only the Spanish Government, which is the legal government recognized by our country. The situation may change at any moment, since it is at the mercy of so fortuitous a circumstance as the result of armed encounter, but at present it is as I have said. The meeting of American delegates would be for the purpose of discussing procedure, the most effective *modus operandi* for serving the high purpose pursued.

I do not ignore the great difficulties which will rise in the path of the initiative, but I deem those much greater which will be created by the termination of the war by violence and arms, with the horrible aftermath which even now can be discerned in perspective.

I do not consider a conciliatory solution out of the question. In many quarters the political structure of the present government of Spain is accepted, and this constitutes a great common basis. The regional problem would not be impossible of solution within the regime of the Spanish nation. And the conflict of ideals, which arises more than anything else from material circumstances—from the deficient distribution of wealth in Spain and from the poverty in which many of its regions exist, could be solved by great and good social and agrarian reforms. In any event the Uruguayan Government places all its fervent sentiments back of the task it proposes to initiate."

LAY

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852.00/2685 : Telegram

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

RIO DE JANEIRO, August 19, 1936—11 a. m.

[Received August 19—10:48 a. m.]

184. Department's circular of August 17, 5 p. m. After consultation with the President, the Minister for Foreign Affairs informs

me that he proposes to reply today to the Uruguayan proposal in more or less the following terms:

1. An offer of mediation by the American Governments would in fact constitute the recognition of the rebel forces as belligerents and thereby grant them a status which even they have not yet asked for;

2. The Civil War in Spain has caused such friction in Europe that an offer of American mediation would appear inopportune, particularly as there would seem to be serious doubts of its success;

3. However, if all the countries of the New World accept the idea of mediation in Spain, Brazil will cooperate.

GIBSON

852.00/2681 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, August 19, 1936—noon.  
[Received August 19—9:19 a. m.]

70. At meeting called by Argentine Ambassador to consider mediation, the subject not mentioned because of general objections. Some talk about trying to arrange exchange of prisoners but nothing done. Did not attend. San Sebastián bombarded from air yesterday and many civilians including children and old men killed. In accordance with warning given, to my personal knowledge reprisals will be taken on certain number of political prisoners. Among prisoners there is Count Romanones. San Sebastián apparently not demoralized by raid.

BOWERS

852.00/2684 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 19, 1936—noon.  
[Received August 19—9:14 a. m.]

338. Foreign Office officials to whose attention the Associated Press despatch of last night regarding aid from Italy to "Spanish Fascists" was brought this morning state that this information is not correct and that the Italian Government is not planning to intervene in the Spanish conflict. These officials still show great concern over the situation in Spain and emphasize the difficulties from the point of view of the Italian Government in arriving at an agreement as a declaration of "non-intervention" (see my 336, August 18, 5 p. m.).

In addition to the general rumors of aviation activities near Genoa and in Sardinia as mentioned in my 320 of August 8, 1 p. m. and despatch number 1835 of August 14,<sup>55</sup> reports are now circulating to the effect that Italian seaplanes are being conditioned at the base of Orbetello but there is no information available as to any special purpose for which these planes may be intended.

KIRK

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852.00/2741

*The Acting Secretary of State to the Uruguayan Minister (Richling)*

WASHINGTON, August 20, 1936.

SIR: I desire to acknowledge the receipt of your note of August 17, 1936, transcribing the text of a communication from His Excellency the Minister of Foreign Relations of Uruguay, Doctor José Espalter, which, after referring to the tragic situation in Spain and remarking upon the bitter fruits of war, concludes by requesting the views of this Government with reference to a "cordial mediation to be offered to Spain by the American countries."

The people and the Government of the United States, entertaining the friendliest feeling for the Spanish people, are deeply distressed by the devastating strife that now rends that country, and earnestly hope for its termination at the earliest possible moment.

Actuated by a profound and constant desire for peace, this Government wishes to give support wherever practicable to the principle of conciliation. However, this country is committed to the principle of non-interference in the internal affairs of other countries. In that connection, you will recall the publication recently of the text of a circular instruction which was addressed by this Government on August 7 to its diplomatic and consular officers in Spain and certain adjoining countries, in which there was embodied a summing up of this Government's position and policy. The substance of the instruction is that, in conformity with its policy of non-interference in the internal affairs of other countries, this Government will scrupulously refrain from interference in the unfortunate situation which now exists in Spain.

After most careful consideration of all the circumstances involved, we are constrained to believe that the prospect that such an offer as is suggested, would serve a useful purpose, is not such as to warrant a departure by this Government from its well established policy.

I am confident that, in the light of the foregoing, the Government of Uruguay will fully understand why this Government finds itself

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<sup>55</sup> Despatch not printed.

unable to accept the suggestion that it participate in any offer of mediation in the Spanish conflict.

I wish to take this opportunity to express my deep appreciation of the lofty spirit of humanity and good will which has prompted Dr. Espalter and of his friendliness in seeking the views of this Government.

Accept [etc.]

WILLIAM PHILLIPS

855.113/17 : Telegram

*The Chargé in Belgium (Sussdorff) to the Secretary of State*

BRUSSELS, August 20, 1936—noon.  
[Received August 20—10:45 a. m.]

69. My telegram No. 63, August 5, noon, and despatch No. 928, August 5.<sup>56</sup> The Belgian decree requiring licenses for the exportation of military arms, etc., published on August 5th has been canceled and replaced by new decree dated yesterday published in *Moniteur* of today. The new decree which becomes effective today provides that license from the Ministry of Economic Affairs is required for the export from Belgium or the shipment in transit of arms, munitions of war or material adapted to use in war which are contained in an annexed list. The annexed list is very comprehensive and includes arms and munitions of all kinds, ships, submarines and airplane carriers, aircraft of all kinds and component parts, gas and various instruments of chemical and incendiary warfare.

SUSSDORFF

881.113/31 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, August 20, 1936—5 p. m.  
[Received August 21—9:44 a. m.]

20. 1. Resident General requests validation of dahir of August 17, 1936, temporarily prohibiting exportation, transit, transshipment or reexportation from French to Spanish zone, Ceuta and Melilla, of petroleum products, lubricating materials and motor vehicles.

2. Measures not intended to obstruct private transportation by automobile vehicles carrying on habitual inter-zonal transport nor operation of said transportation services.

3. Unless Department sees no [any] objection to the inclusion of these articles among prohibited war supplies, acceptance recom-

<sup>56</sup> Neither printed.

mended subject to usual reservations safeguarding Consular Court jurisdiction, and conditional upon application of the decree to concerns or individuals of all nationalities without discrimination.<sup>57</sup>

BLAKE

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852.00/2714 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 20, 1936—5 p. m.  
[Received August 20—3:14 p. m.]

339. My 336, August 18, 5 p. m. The French Ambassador was received by the Minister for Foreign Affairs yesterday and although no definite conclusions were reached the Ambassador left with the impression that progress was being made in the negotiations relating to the declaration of "non-intervention". The recent statements by members of the French Government which are regarded in Italy as contrary to the policy of "moral neutrality" which the Italian Government has professed in the face of the Spanish conflict are believed to have impeded the negotiations here but the impression now prevails at least in French circles that an agreement on some declaration in the nature of the French proposal may now conceivably be reached. In his conversation with the French Ambassador yesterday the Italian Minister for Foreign Affairs is said to have reduced the Italian requirements on the matter of indirect aid to the contending parties in Spain to stipulations whereby the declaratory governments would agree in the first place to embargo the actual despatch of money to Spain and in the second place to prevent the departure of men to Spain from their territories. Discussions as to whether these stipulations if agreed upon would be added to the French draft declaration or whether they would take the form of a separate agreement in order to allow the original draft already circulated to stand, do not yet appear to have taken any definite form but the impression prevails that if the French Government can bring itself to treat the Italian requirements from a practical standpoint the hitherto conflicting views may be reconciled. In general there is growing tendencies to believe that unless the statements made by Italian officials are deliberately misleading the Italian Government for its part is recognizing the importance of arriving speedily at some agreement on a declaration of non-intervention in the Spanish conflict accompanied by such measures as may be found practicable to limit interference therein from abroad.

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<sup>57</sup> Telegram No. 11, August 24, 2 p. m., from the Secretary of State to the Diplomatic Agent and Consul General at Tangier stated: "Your August 20, 5 p. m. Approved."

As a further indication of that attitude the Minister for Foreign Affairs is quoted as having expressed himself as critical of the German reply to the French formula in that it stipulated conditions precedent to an adherence to the proposed declaration.

The Italian press continues to reflect the policy of "moral neutrality" in the face of the Spanish situation by refraining from publishing direct editorial comment (see my 311, August 4, 6 p. m., second paragraph). The presentation of news items relating to the conflict, however, continues to be pro-insurgent and the papers published at length and conspicuously the reports of material aid from foreign countries (see my 314, August 5, last paragraph). These latter reports as affecting France are treated with special emphasis and are clearly directed against the policy of the French Government in that regard as well as in regard to expression of sympathy with the Madrid Government emanating from French official sources.

KIRK

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852.00/2715 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, August 20, 1936—5 p. m.

[Received August 20—3:40 p. m.]

259. The following communiqué has just been issued by Foreign Office with regard to the search of the German steamer *Kamerun* respecting which I understand the American press has carried full description.

(Translation) "Promptly after the receipt of the news concerning the incident having to do with the steamer *Kamerun* created by the Spanish Government, the German Government gave telegraphic instructions to its Chargé d'Affaires in Madrid to lodge a protest without delay in the sharpest form against the action of the Spanish warships which was contrary to international law and thereby to express that the German Government will hold the Spanish Government responsible for all consequences which might arise from the repetition of similar incidents.

The German Chargé d'Affaires has at the same time, been instructed to inform the Spanish Government that the German warships have received orders to protect with all means the German ships against similar attacks contrary to international law outside the Spanish zone of sovereignty."

The *Völkischer Beobachter* and other morning papers give front-page publicity to this "incident". . . .

There is every evidence that the press censorship has given the press more leeway with regard to criticism of the French Government

as partisan of the Spanish Government. While the main diatribe is directed against Moscow, France is beginning to come in for its share of opprobrium as a Soviet associate.

Copies to London, Paris, Rome.

DODD

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852.00/2718 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 20, 1936—6 p. m.

[Received 8 p. m.<sup>88</sup>]

776. I lunched alone today at the residency of the Council with Blumel, *Chef de Cabinet* of Blum. He talked very frankly on a number of subjects principally the Spanish situation. He said that the Government here was taking a very serious view of the situation and was particularly concerned over the possibility of some action by Hitler as the result of the boarding of the German ship *Kamerun* by a Spanish cruiser and submarine. He said that the German attitude toward the French proposal of a non-intervention pact had been from the outset very conciliatory. On the contrary the Italian attitude had been and continued to be evasive. As regards the question of the sixth German airplane the restitution of which is one of the German conditions for joining the non-intervention pact, he said that the Germans claimed that this was a transport plane, whereas the Spanish Government said it was a military plane destined for the insurgents. The Spanish Government has proposed arbitration of the question by the Hague Court or some other body but the German Government refused this offer and continued to demand restitution pure and simple of the plane. The Spanish Government could not accept this. (I clearly gathered that the French Government has all along been urging the Spanish Government to concede the German point of view in order to remove this obstacle to an international agreement.) While the German attitude has been conciliatory, nevertheless, he said in view of the close working agreement between Germany and Italy he felt that there might well be a policy of Germany showing a conciliatory attitude to please the British while the Italians took the brunt of holding up the agreement with the comparative evasive tactics. In this connection he said he agreed with me that the danger of a European war arising out of this battle of political creeds in relation to the Spanish conflict was not as acute as many people apparently believed since, in the final analysis German policy in Europe was achieving its objectives without having to risk war and in particular

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<sup>88</sup> Telegram in eight sections.



it was a major tenet of Germany to refrain for the time being from doing anything which would antagonize Great Britain. At the same time he again referred to the possibility of close team work between Germany and Italy whereby the latter rather than Germany would take the lead in an attitude which might well lead eventually to a most serious international situation in relation to the Spanish conflict.

He said that the opinion of the French military advisers was in general pessimistic as to the chances of the success of the Spanish Government. The Spanish Governmental forces had plenty of enthusiasm but no discipline or military order. In particular Catalonia was in the hands of Anarchists. In brief he said 75% of the civilian population of Spain was for the Frente Popular and 75% of the armed forces for the insurgents. He then went on to say (and I found this particularly interesting) that the French high command Army, Navy and Air, particularly the Navy, was greatly preoccupied by the Spanish struggle and ardently wished for the success of the Madrid Government. These officers he said frankly were by tradition and training conservative, were in the majority instinctively unsympathetic to the aims of the Blum government in France, and by the same token could not by the wildest stretch of the imagination be suspected of any natural sympathy with the efforts of the Left government in Spain to put down the military revolt there. Ordinarily it would be suspected that the sympathies of the French military and naval officers would be with their confreres in Spain but for reasons of a technical nature related to the problem of French security the French military and naval command were heart and soul in favor of the ultimate triumph of the Spanish Government. In this connection he spoke of the impossible [apparent omission] in which France would be placed if communications with North Africa's reservoir of men and foodstuffs were cut off from continental France.

I asked Blumel whether the British Government had from the outset realized the potential dangers to Great Britain's interests in the Mediterranean if a military regime were established in Spain subject to Fascist influence. He said that the British Government at first had been rather lukewarm in its support of the French initiative for a non-intervention pact. This he explained by [apparent omission] that at first British conservative opinion, including the Army and Navy, had been that the triumph of the Spanish Government would mean Communism and disorder in Spain and that a victory of the military elements was to be desired. However, more recently the British Government seemed to have shown a clearer realization of the implications to their interests of a victory of the military rebellion in Spain and the British communiqué of last Saturday and the order of the Board of Trade yesterday forbidding the export of war material and even

civilian planes to Spain indicated this. He added that the British were "strongly supporting" in Berlin and Rome the French proposal for a non-intervention pact.

As of possible interest he said that when Blum met Vansittart<sup>59</sup> recently in Paris on the latter's return from Berlin, Blum felt that Vansittart failed to show a clear realization of the dangers of the Spanish situation. This Blum felt might be explained by the fact that Vansittart had then been away from England for some time.

Blumel said that the position of the French Government in declining to permit the exportation of war materials and planes to Spain was becoming increasingly difficult. He said that practically all elements of the Popular Front were demanding that in view of the known aid continually being given by Germany and Italy to the rebels in Spain the French Government should no longer be the victim of its own initiative and remain with its hands tied while a situation was being created in Spain definitely menacing to France's vital interests.

I asked whether the Radical Socialists shared this point of view. He admitted that the Radicals were divided: those on the Left of the party were with the Communists and Socialists in advocating aid to the Spanish Government; those on the Right wing of the party were for continuing every effort to arrive at a non-intervention pact and for avoiding anything which might prejudice the realization of such an agreement.

He went on to say that there was increasing pressure from workers in aviation factories who wanted to take up subscriptions to buy military planes for Spain and from the owners of such factories who worked only for the account of the French Government and now saw an opportunity to increase their sales. From all sides he said the pressure was increasing on the French Government to let down the bars for exporting such material to Spain. I asked, if agreement on the non-intervention pact were not soon reached how long he thought the French Government would continue to forbid the exportation to Spain of war materials and planes. He replied "I do not know".

I asked what had been the objectives of Jouhaux's<sup>60</sup> trip to Spain and what he had said on his return. Blumel said that he had talked at various times with Jouhaux since his return: the General Confederation of Labor was strongly in favor as everyone knew of direct aid by France to the Spanish Government and Jouhaux had gone to Spain to see what the situation there was.

Jouhaux had brought back glowing accounts that [of?] the enthusiasm and bravery of the Spanish Governmental forces; and he

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<sup>59</sup> Sir Robert Gilbert Vansittart, British Permanent Under Secretary for Foreign Affairs.

<sup>60</sup> Léon Jouhaux, editor of *Peuple*, Labor Socialist trade union organ.

was continuing to insist with all the elements of the C. G. T.<sup>61</sup> back of him on a reversal of the French Government's policy regarding the exportation of war materials to Spain. At the close of our luncheon Blum joined us for a few moments. He said frankly that he was very seriously concerned over the possibility of some action by Hitler based on the boarding of the *Kamerun*. He said that he had been relieved when Hitler had not sought to create an incident over the execution of the four Germans at Barcelona; however the Olympic games were then going on. Now the games were over and while he agreed with Blumel that the Germans had hitherto been conciliatory as regards the French proposal for a non-intervention pact and that the obstructions had come rather from the Italian side, nevertheless he was now greatly preoccupied over the possibility that Hitler might suddenly take some drastic action as a result of the incident involving this ship.

I might add that Blumel told me that Lansbury, the British labor leader, called on Blum this morning and suggested to him the idea of appealing to President Roosevelt to head up some initiative looking to a mediation of the Spanish conflict; Blum had replied that he thought there was little likelihood of President Roosevelt accepting any such idea. As I gathered the impression that there was some attempt to draw me out on this subject I referred to an article I had read in the Paris edition of the *New York Herald* today to the effect that the Department of State had replied to Uruguay's initiative for mediation in Spain by pointing out the traditional policy of the United States of keeping out of European affairs; I also told him of the Department's recent instructions to our representatives in Spain regarding our policy of non-intervention in the Spanish situation and said that I was sure that any such suggestion would be entirely unacceptable to President Roosevelt.

WILSON

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852.00/2719 : Telegram

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

MEXICO, August 20, 1936—8 p. m.

[Received August 21—12: 25 a. m.]

148. I was informed today by the Minister for Foreign Affairs that the Government here is sending munitions to the Government of Spain. They will be loaded on a Spanish vessel now at Vera Cruz. General Hay assures me that in the shipment there are no munitions which were purchased in the United States, strictly neutral. All were manu-

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<sup>61</sup> General Labor Confederation.

factured in this country. He stated that inasmuch as Mexico was in diplomatic relations with the Spanish Government, his Government could not decline to send munitions to a friendly government. He referred to the time when the United States permitted a recognized government here to buy arms in our country and said that Mexico was following the parallel course of our Government at that time. He did not give the items in the shipment.

Later in the afternoon representatives of the Associated Press and the United Press here told me that the Spanish vessel was at Vera Cruz awaiting the arrival of 30 cars from this city loaded with arms and consigned to the Spanish Government. They added that Government officials here denied that any shipments had been made or any knowledge of cars moving to Vera Cruz.

DANIELS

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852.00/2717 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Secretary of State*

LONDON, August 20, 1936—8 p. m.  
[Received August 20—2: 50 p. m.]

406. In a conversation on the Spanish situation this afternoon at the Foreign Office it was stated that the British Government attach the utmost importance to a successful conclusion of the French proposal for banning export of arms to Spain, and that the British Government was giving it full support. The Foreign Office believes the conclusion of such an agreement in principle with the European powers, including Italy and Germany, would be the most effective possible means at the present time localizing the conflict in Spain, and this statement was made with all reservations as to the practical difficulties of full enforcement in some countries. Referring to the advocacy in certain quarters of support for the so-called constituted government of Spain, the Foreign Office official said that in fact the difficulty was that there was no effective government in Spain, and that the so-called government was completely at the mercy of its violent left wing supporters. The Foreign Office is hopeful that the British declaration yesterday of a complete arms embargo in advance of full commitments from Germany and Italy will give practical evidence of British good faith and besides strengthening the hand of the French Government, whose weakness is felt to constitute itself something of an international danger in the present circumstances, will perhaps have persuasive value in determining favorable action at Rome and Berlin.

The announcement of the British embargo has been received with general satisfaction in the press and there is little doubt that it is in accord with the majority of responsible opinion. There are of course groups sympathetic both to the insurgents and to the popular front government, but overshadowing these sympathies, based mainly on political leanings to the right or that [*the?*] left, is realization of the necessity for keeping this country from being involved in the conflict and of preventing that conflict from extending beyond the Spanish borders. It is perhaps significant that there is no enthusiastic support for either side, but it is generally felt that whichever side wins Spain will be under an extremist government which in either form would present disadvantages in this country.

The Italian Chargé d'Affaires in a recent conversation made no attempt to conceal Italian sympathies for the Spanish insurgents and said that Italy could not possibly tolerate a Communist Government in Spain. This, he believed, would inevitably result from a Government victory and would give such encouragement to the Communist elements in France that it might mean the overthrow of the present "extremely weak government" in that country. Such a result, eliminating France for the time being as a major factor in European politics, would put Italy at the mercy of Germany. He said that the Italians were under no illusions as to what the position of Italy would be should Germany become paramount on the Continent.

Copies to Paris, Rome.

BINGHAM

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852.00/2743 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 22, 1936—9 a. m.

[Received August 22—6:45 a. m.]

342. My 339, August 20, 5 p. m. Following are the principal points of the Italian reply on the matter of "non-intervention" in Spain which was delivered to French Ambassador by the Italian Minister for Foreign Affairs yesterday evening.

With the intention of doing insofar as the Italian Government is concerned everything possible to facilitate or expedite the conclusion of an accord the Italian Government undertakes in conformity with the terms proposed by the French Government: (1) To prohibit on its part the exportation direct and indirect, the reexportation or transit to Spain, to Spanish possessions or the Spanish zone in Morocco of arms, munitions, and materials of war as well as airplanes assembled or nonassembled and war vessels; (2) to apply this prohibition to all

contracts in course of execution; (3) to maintain contact with the other interested states for reciprocal communication of all measures taken to give effect to this declaration.

The Italian Government for its part will give effect to this declaration as soon as the Governments of France, England, Portugal, Germany and the Union of Soviet Socialist Republics have likewise adhered.

Since, however in the French proposal mention is made also of "indirect interferences" without specifying its nature the Italian Government desires to make it clear that it interprets this indirect interference in the sense that public subscriptions or enlistments of volunteers for either of the conflicting parties are not admissible in the countries adhering to the accord. The Italian Government in agreeing to adhere to "direct" non-intervention has the honor to maintain, however, its observations insofar as "indirect" non-intervention is concerned. Furthermore since there are in Europe other important states producing arms other than those to which the French project refers it seems essential to the Italian Government that the undertaking of non-intervention shall be assumed also by these states.

KIRK

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852.00/2750 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 22, 1936—1 p. m.

[Received August 22—11 : 30 a. m.]

781. Reference that part of my confidential telegram 776, August 20, 6 p. m. which reported Blumel's statement that the French high military and naval command would look with favor on the triumph of the Spanish Government. While I have no doubt that these views are expressed by many officers when speaking with members of the Blum government, and while it may be that the Government believes them, nevertheless, I have in fact considerable doubt that such views are actually held by any considerable majority of the French high military and naval commissioned personnel.

Competent observers who try to look at this question impartially tell me that it would probably be reasonably safe to say that the opinion of French officers is divided on this question: many of these officers feel that French security would ultimately be better guaranteed by a victory of the revolution in Spain which would, they believe, bring about the fall of the Blum government and the establishment in France of a government of the Right which could come to some understanding with Germany and Italy.

WILSON

881.113/32 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, August 23, 1936—1 p. m.  
[Received August 24—10:10 a. m.]

21. My telegram No. 20, August 20, 5 p. m. Regarding dahir August 17. Representatives of powers in Tangier expecting French to press for adoption in Tangier Zone of similar prohibitions. Doubtful whether Committee of Control would give approval. If French zone dahir is intended to be bona fide neutrality measure it should in my opinion embrace all Spain and not be confined merely as it does to territory held by one party in the conflict.

BLAKE

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852.00/2765 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

U.S.C.G. "CAYUGA," August 24, 1936—11 a. m.  
[Received 11:55 a. m.]

0024. Argentine Ambassador called another meeting of Diplomatic Corps to propose that Corps as such try to arrange an exchange of civilian prisoners. Probably be rebuffed by the Government since most important rebel prisoners persons of influence and power while Government prisoners are people of less significance. If Corps presumed to act as arbitrator there is serious danger that it will become involved unpleasantly in the internal dispute. This is all the more likely since the Corps itself is composed largely of intense partisans. In accordance with your instruction of August 17, 9 a. m., I have sent word I am unable to attend. This meeting probably will merely talk and another meeting may be called by the Argentine Ambassador. I think it wiser for us to stay out of all meddling with the Civil War but if you prefer that I attend the next one please wire instructions.

BOWERS

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852.00/2767 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, August 24, 1936—6 p. m.  
[Received August 24—3 p. m.]

261. My 257, August 18, 6 p. m. The following has just been announced by the semiofficial DNB.

(Translation) "As we hear the German Government has been informed that all nations in question have joined the proposed declaration concerning an arms embargo vis-à-vis Spain. The German Government hereupon informed the French Government that it would now put the arms embargo in force in Germany to take effect immediately.

This decision has been reached although the discussions with the Government in Madrid concerning the release of the German transport plane could not yet be concluded. Naturally the demand for release lodged with the Spanish Government is not affected hereby. The German Government, moreover, in its communication to the French Government expressed the urgent expectation that now the other governments involved, insofar as this is not yet the case, would take the necessary steps to insure effective execution of the measures agreed upon."

Following the German protest to Madrid with regard to the *Kamerun* affair, the consequent strong statement by the German high naval command, the protests to Moscow and Spain regarding radio broadcasts inimical to Germany and the veritable blast in the German press during the past week against Russian and Spanish Communism created a rather tense situation here at the end of the week. This has suddenly subsided which the announcement above seems to embody.

The German attitude with regard to Spain, however, is still too confused for detailed comment or conclusions. I might add meanwhile that the outburst in the German press referred to above may quite probably have been principally for local consumption rather than indicating any immediate intention to intervene or use the Spanish situation for any international purposes except as this may be an advantageous background in connection with negotiations preliminary to and at the time of the Locarno discussions.

Copies to London, Paris, Rome, Moscow.

DODD

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852.00/2768: Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 24, 1936—6 p. m.

[Received August 24—4: 35 p. m.]

345. My 342, August 22, 9 a. m. In a conversation with the French Ambassador on the subject of the Italian reply on the matter of "non-intervention" in Spain, Chambrun stated that he was well satisfied with the reply and believed that it was an important step toward eliminating the dangerous international complications that were being built up around the Spanish question. He emphasized the fact that the second part of the reply contained "observations" on the part of the Italian Government and stated very definitely that they should



not be considered in the nature of "reservations". In referring to the passages in the reply regarding the inadmissibility of public subscriptions and the enlistment of volunteers, Chambrun gave as his interpretation thereof that while it might be difficult for the French Government to prevent individuals on its territory from subscribing funds it could prohibit the transfer of such funds to Spain and, in a like manner, while it might be difficult for the French Government to prevent individuals from enrolling on French territory it could prohibit those who had enrolled from crossing the frontier. With regard to the extension of the pledge of non-intervention to other arms-producing states, Chambrun said that only European states were envisaged because the position of the United States was understood and it was definitely intended not to offer Japan this opportunity as a pretext to inject itself into Mediterranean politics.

British circles here reflect the same satisfaction as expressed by the French Ambassador.

KIRK

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852.00/2780 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, August 25, 1936—noon.  
[Received August 25—9:32 a. m.]

76. My telegram of August 24, 11 a. m. The Diplomatic Corps, responding to the call, proposes, in advance to the plan to offer Government to mediate regarding civilian prisoners, to mediate in an effort to stop the shelling of open cities where civilians are victims. While this is the only proper method of procedure the decision is put up to the Government alone in the first instance and regardless of the attitude of the rebels should Government decline, it puts it in the position of refusing a measure of humanity leaving the advantage in public opinion with the rebels who will not then be asked. I merely call attention to this phase in connection with my request [for?] instructions.

BOWERS

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852.00/2791 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 25, 1936—1 p. m.  
[Received August 25—10:40 a. m.]

788. In conversation at the Foreign Office this morning, it was stated that the German action in placing a ban on the exportation of arms to

Spain had been received with relief. It is now felt that the success of the French initiative for non-intervention in Spain is in fact assured and it is expected that Italy, Russia and Portugal will shortly take steps to make effective their acceptance of the proposal by establishing a ban on exports of arms and aircraft to Spain similar to the action taken by France, Great Britain and Germany. It was added that perhaps some further initiative might be undertaken in the sense of a public appeal by the Governments of all nations for abatement of the savage character of the warfare being carried on in Spain such as the execution of prisoners.

At the same time the official with whom I spoke at the Foreign Office said that the French Government's relief over German action regarding Spain was tempered by news of the other decision announced by the German Government yesterday, namely, the increase in the term of compulsory military service. This move it was said will give Germany a stronger standing army than she had had before the war, an army considerably stronger than France's and is bound to cast a shadow of apprehension over Europe. Comment was also made on the sudden manner of announcing the two decisions on the same day with the obvious hope that the first would draw some of the sting from the second.

Cipher text to London, Berlin, Rome.

WILSON

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852.00/2780 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, August 25, 1936—7 p. m.

B-6. Your August 24, 11 a. m., and your 76, August 25, noon. I approve your decision not to attend this meeting. As regards the question of your attendance at any future meetings, I feel that I must leave the matter to your discretion. You may, of course, consult me about any particular meeting.

HULL

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852.00/2828 : Telegram

*The Minister in Portugal (Caldwell) to the Secretary of State*

LISBON, August 27, 1936—9 a. m.

[Received August 27—6:03 a. m.]

34. By a decree of which advance text is published today Portugal prohibits exportation or transit of arms and munitions of war includ-

ing airplanes and ships to Spain. Decree to be suspended in case enlistment or subscriptions of money are effected in signatory countries.

CALDWELL

881.113/33 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, August 27, 1936—5 p. m.  
[Received August 28—10:15 a. m.]

22. Department's telegraphic instruction No. 11, August 24, 2 p. m.<sup>92</sup> Difficulties foreshadowed in my telegram No. 21, August 23, 1 p. m., are arising in acute form. Greatest caution advisable. Am consequently taking no action in matter of acceptance of oil dahir pending developments. Have under consideration and will shortly submit for Department's approval formula under which dahir may be accepted without any breach of neutrality on our part.

BLAKE

852.00/2844 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, August 28, 1936—3 p. m.  
[Received August 28—11 a. m.]

348. My 342, August 22, 9 a. m. Communiqué issued this afternoon states that by means of appropriate ministerial measures adopted by agreement among the interested administrations the exportations direct and indirect, the reexportation and transit to Spain, the Spanish possessions and the Spanish zone of Morocco of arms, munitions and war materials, as well as airplanes assembled or nonassembled, and war vessels have been forbidden. The communiqué adds that this prohibition applies to all contracts in course of execution.

KIRK

852.00/2780 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, August 28, 1936—6 p. m.

B-10. Your telegrams of August 24, 11 a. m. and August 25, noon, and my B-6, August 25, 7 p. m. The French Ambassador came in to

<sup>92</sup> See footnote 57, p. 500.

see me this afternoon and in the course of the conversation stated that the French Government is giving serious consideration to the proposed appeal of the Diplomatic Corps at Hendaye to both factions in Spain "to stop wholesale assassinations of civilians." I should be grateful if you would telegraph me as soon as possible the following information:

- (1) the substance and the status of any proposals of the Diplomatic Corps to humanize the conflict;
- (2) the names of the Governments whose representatives are taking part in the conversations and the names of those Governments whose representatives have been abstaining.

HULL

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881.113/34 : Telegram

*The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State*

TANGIER, August 28, 1936—6 p. m.  
[Received August 29—11 a. m.]

23. My telegram No. 22, August 27, 5 p. m. *De facto* Spanish authorities Tetuan have protested against French zone dahir of August 17 as measure of disingenuous neutrality penalizing in effect civil and economic life of Spanish zone. Indications are that Committee of Control will not enforce this measure in Tangier as regards supplies from Tangier to Spanish zone, thus nullifying alleged purpose of the dahir. There is strong suspicion in some well informed quarters that neutrality pretext of dahir may cover other political objectives.

In the circumstances, I suggest our note of acquiescence be drafted in following sense:

(1) Reiteration of Department's declared neutrality position in Spanish conflict.

(2) Acceptance of dahir subject to following reservations:

(a) Providing dahir is made applicable by international administration Tangier to supplies from Tangier to Spanish zone.

(b) That dahir extend to all Spanish territory and possessions in addition to Spanish zone, Ceuta and Melilla.

(c) American Government to retain freedom to release its nationals from restrictions of dahir, whenever it deems conditions may justify such action.

(d) To point out that since oil products and motor vehicles are not included in embargoes inherent to European non-intervention pact, Department's acceptance of inclusion of these arti-

cles in Moroccan dahir will be conditional upon similar acceptance by French Government and all other parties to aforesaid pact.

(e) Foregoing conditions additional to reservations referred to in paragraph 3 of my telegram number 20, August 20, 5 p. m.

BLAKE

852.00/2886 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary of State*

Moscow, August 29, 1936—11 a. m.

[Received August 30—7:40 a. m.]

197. I assume that the American press has reported the exchange of notes between Litvinov and the French Chargé d'Affaires ad interim of August 23rd, in which the Soviet and French Governments agree (a) to prohibit exports to Spain or Spanish people of arms, ammunitions, war material, aircraft and warships; (b) to apply prohibitions to contracts already signed; (c) to inform other states participating in the agreement of the measures taken; (d) to put the above obligations into force when the German, Italian, Portuguese, French and British Governments join in the agreement.

2. A usually well-informed Soviet official told me yesterday substantially as follows:

"The refusal of Portugal to adhere to such an agreement unless it should include the transmission of funds may delay for some time the agreement becoming effective. The Soviet authorities have taken the position that they would place an embargo upon the export of funds to Spain only on condition that the other countries named above would agree to do likewise. It will be difficult for countries like France and Germany without autocratic governments to apply such a measure to private persons or non-governmental organizations. The Soviet Government cannot admit that it is any more responsible to foreign countries for the actions of organizations or persons on its territories than countries like France and England for organizations or persons on their respective territories."

3. The French Chargé d'Affaires has told me this morning in strict confidence substantially as follows:

"It has been extremely difficult to persuade the Soviet authorities to agree to the exchange of notes. During the more than 20 hours of private and non-official discussions which preceded the exchange, officials of the Foreign Office showed even more diffidence and less willingness than usual to take responsibility. Litvinov himself found it necessary to refer the most insignificant points to his Government. I attribute this hesitation in part to (a) the feeling that the Kremlin might be criticized by the more militant world revolutionary forces for agreeing not to grant material support to a friendly leftist govern-

ment facing a reactionary revolution, and (b) the fear that the Soviet Government might eventually be pushed into a position which would permit it to be said that it had assumed obligations on behalf certain organizations resident on its territory over which it has hitherto professed to have no control. I believe, however, that the next few days the Soviet Government, regardless of the attitude of Portugal, will issue an administrative order putting into immediate effect the provisions of the agreement since it will not want to be the last of the interested powers to take such a step. I feel sure that no war material has been despatched from the Soviet Union to Spain since the outbreak of hostilities."

4. The *Journal de Moscou*, usually regarded as the mouthpiece of the Foreign Office, of August 25, 1936, and the *Izvestiya* August 26, 1936, carried editorials indicating that the Soviet Government entered into the exchange of notes with reluctance and did so only because it did not desire the Fascist countries to use a refusal on its part as an excuse for aggressive action in Spain. The *Izvestiya* said in part:

"It must be stated frankly that a declaration of neutrality in connection with events which are taking place in Spain is not our idea, but a special type of innovation in international theory and practice. Up to the present time there has been no precedent whereby the government of any country elected in accordance with its laws and recognized by all powers is put on a level both judicially and in practice with rebels fighting it. There has never been a case wherein the fulfillment of orders of such a government and the supplying of it has been considered as intervention in internal affairs. ["]"

HENDERSON

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852.00/2873 : Telegram

*The Consul at Bordeaux (Finley) to the Secretary of State*

BORDEAUX, August 29, 1936—11 a. m.

[Received August 29—9:50 a. m.]

During the past 5 days I have visited all land frontier posts between France and Spain where communication between the two countries is by road or railroad and with a few exceptions all where communication is practicable by mule trail.

The Spanish Government has charge of its posts from Hendaye east to and including the Collizarrieta, and from Luchon east to the Mediterranean; the Nationalist hold those Gillerdancharia to Gavarnie inclusive.

While I have my doubts [from?] first hand information about Hendaye, I have found no evidence elsewhere to indicate that either the French Government or French citizens are now sending supplies of any kind to the Spanish Government or the rebels. It is possible,

however, that there may be a small seepage at some posts but if so, I am convinced that this is in spite of measures taken by the French to prevent it.

This, as well as an amplified report, is being sent our Embassies at Paris and Hendaye.

FINLEY

852.00/2877 : Telegram

*The Vice Consul at Vigo (Stewart) to the Secretary of State*

Vigo, August 29, 1936—1 p. m.

[Received 2 p. m.]

Rebel army claims slow progress on all fronts and that communications are restored to Navarre to east, Seville and Cadiz to southward, Castropol and Tineo in Asturias. Also state that daily trains now running from Seville to Alsasua, Navarre. Also claim three-fourths national territory and two-thirds population already dominated. Twelve Italian aviators with airplanes arrived here yesterday and forwarded to Burgos. Reliably informed two German vessels heavily loaded with "pineapples and grapes" arrived here yesterday morning. Vigo and Galicia as a whole remain tranquil although military are condemning and killing daily numbers of Madrid Government agents. Fascist militia running rampant in outlying districts and summarily executing suspected Communists.

STEWART

852.00/2876 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, August 29, 1936—3 p. m.

[Received August 29—2:05 p. m.]

79. It is proposed that the Diplomatic Corps submit by telegraph to the Government an offer of intercession in behalf of civilian prisoners and to ask for cessation of shelling of cities without defense and an agreement for protection of national monuments and works of art. In this telegram the Corps to ask Government if it has any objection to the submission of the same proposal to the rebel leaders. Should Government give consent and rebels agree, the participation of the Corps would be "by the means most appropriate in each case, notably by despatch of commissions *ad hoc*, by the intermediary of military, naval or air bodies, by an appeal to the Red Cross, et cetera." The

Corps is divided in its sympathies and the failure thus far of agreement by French Ambassador and Government seemed to emphasize this situation. There seems to be no doubt that France, Germany and Italy have all been guilty of interference in this domestic quarrel. I have stood aloof awaiting such instructions as the Department may send.

The proposed exchange of civilian prisoners may be considered one-sided by the Government since its civilian prisoners are persons of great power and influence who are enemies of the regime while the civilian prisoners of the rebel forces are people of no importance in so far as I know.

The proposed ending of shelling of unprotected cities and the protection of national monuments and works of art bears equally on both sides. The proposal is also to protect besieged cities against loss of many days' water, food et cetera. Thus it will be observed it is proposed to end the taking of cities by shelling or by the slow process of siege which, in its very nature, means a starving of a city into submission. This seems to weaken the protest against taking a besieged city by storm.

Neither the French nor Dutch representatives have agreed to the program, awaiting the decision of their Governments. Should Government rebuff the Corps the rebel leaders will not be approached.

It will be one thing if the various nations represented on proposed commissions work harmoniously and without regard to the sympathies of themselves or Government; should they divide on the policy to be pursued in accordance with their sympathies we would, if represented, have to take a stand and that would be another thing.

In meetings thus far the following nations have been represented: Argentine, British, France, Italy, Belgium, Norway, Holland, Czechoslovakia, Finland, Sweden and at the first meeting the Mexican. We had not participated for reasons known to the Department and approved by it. I do not personally know of any nation represented here that has not attended.

BOWERS

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852.00/2897 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary of State*

Moscow, August 31, 1936—11 a. m.

[Received August 31—9 a. m.]

199. My No. 197, August 29, 11 p. m. [a. m.], paragraph 3. Moscow *Izvestiya* of August 30 carries the following Tass announcement:

"In connection with the coming into force of the notes exchanged between the U. S. S. R. and France on non-interference in Spanish



affairs, the Peoples Commissariat of Foreign Trade has issued an order prohibiting from August 28, 1936, the export, reexport and transit to Spain, Spanish possessions and Spanish Morocco of all kinds of arms, munitions and war materials, aircraft assembled and in parts as well as warships."

It is believed that the order was actually issued on August 29 and made retroactive to the preceding day.

HENDERSON

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701.6552/7 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 1, 1936—11 a. m.  
[Received September 1—10:25 a. m.]

X-116. Italian Embassy will leave Madrid for Alicante tonight, so informed Spanish Government last night and requests us not to make this public until their departure. Departure of German<sup>68</sup> and Italian Embassies and arrival of Russian Ambassador are clearly for political reasons and may herald important international developments. Russian Ambassador presented letters of credence to President of Spanish Republic August 29.

WENDELIN

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852.00/2938a : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, September 1, 1936—6 p. m.

B-14. The press this morning quotes a statement from the Argentine Ambassador to Spain, now at Hendaye, in regard to proposals which certain members of the diplomatic corps are understood to have forwarded to the Spanish Government "to humanize as far as possible the civil war in Spain."

Our policy of strict non-interference in the unfortunate conflict in Spain is, of course, so well known to you and needs no elaboration. We cannot deviate in any way from this policy.

On the other hand, I feel that if, without deviating from this policy of non-interference, we can exert our moral influence in support of impartial steps looking to a more humane conduct of the conflict, we not

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<sup>68</sup>The German Chargé and staff left Madrid by plane for Alicante on August 30 (701.6252/16).

only should do so, but would thereby give expression to feelings which have deeply moved the American people. Please, therefore, telegraph the text of the proposals which are understood to have been forwarded to Madrid and keep me fully informed of their status in order that I may determine whether there may be practicable means of making known, wholly independently but concurrently with any joint action taken by other governments, our earnest interest in any impartial program designed to render more humane this terrible conflict.

HULL

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852.00/2905 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, September 1, 1936—7 p. m.

B-15. Your 79, August 29, 3 p. m., and your 83, August 31, 4 p. m.<sup>64</sup> In a separate telegram I have requested you to telegraph the text of the recommendations of the diplomatic corps to render more humane the conflict in Spain. In your reply please let us know whether there has been any change in the procedure set forth in your 79 of August 29, 3 p. m., whereby the Spanish Government would be consulted as to whether it has any objection to the submission of the same proposal to the rebel leaders.

HULL

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881.113/34 : Telegram

*The Secretary of State to the Diplomatic Agent and Consul General  
at Tangier (Blake)*

WASHINGTON, September 2, 1936—noon.

12. Your 20, August 20, 5 p. m. In view of the facts and opinions reported in your recent telegrams, especially your 23 August 28 6 p. m., the Department considers it unwise to acquiesce in any way in the application of the Dahir of August 17, 1936, at the present time. You should therefore limit your reply to Resident General to an acknowledgment of the receipt of his communication, adding that the matter has been referred to the Department for its consideration.

If and when further events in Spain and North Africa make a revision of the Department's position advisable, you will be instructed accordingly.

HULL

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

852.00/2957 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the  
Secretary of State*

HENDAYE, [September 2, 1936—2 p. m.]  
[Received 3:50 p. m.]

89. Your No. B-14, September 1, 6 p. m.; and B-15, September 1, 7 p. m. Following telegram has been sent to the Minister for Foreign Affairs, Madrid, on August 29.

"To His Excellency Mr. Augusto Barcia, Minister for Foreign Affairs, Madrid. Mr. Minister: In my quality of Dean of the Diplomatic Corps I have the honor to inform you Your Excellency that the Chiefs of Mission accredited in Spain who sign this note are addressing themselves to the Government of the Spanish Republic through Your Excellency asking the Government to receive the note amiably and to give a reply with the most brief delay possible. I take advantage of this new occasion to reiterate particularly to Your Excellency the sentiments of my highest consideration. D. Garcia Mansilla, Argentine Ambassador.

The Chiefs of the Diplomatic Missions who have met several times on the initiative of their dean His Excellency the Argentine Ambassador have exchanged personal views which bear witness to the profound grief which they feel for the sufferings of the civil population of Spain during the course of the present events. These sufferings consist notably in the imprisonment of hostages or other non-combatant prisoners, in the danger to public health caused by the lack of medicaments, water and light, and in the loss of human life caused by the bombardment of towns without defense. With a view to diminish as far as lies in their power these dangers the Diplomatic Corps addresses itself to the Government of the Spanish Republic with an offer to intercede with both parties with a view to securing reciprocal measures and pledges which would tend quite apart from any political or military intervention to protect the civil population from the hardships enumerated above and from such others as it might seem possible to avoid. The Chiefs of Mission point out finally how desirable it would be that measures should be taken to preserve the monuments and works of art which reflect the grandeur and the glories of the past. This intercession which is recommended by the entire Diplomatic Corps would be made by the means most appropriate in each case, notably by the despatch of commissions *ad hoc*, by the intermediary of military, naval and air bodies and by an appeal to the Red Cross. Consequently the undersigned have the honor to address themselves to the Government of the Spanish Republic to the ends indicated above and invite those of their colleagues who did not assist at these meetings to associate themselves with them in this step. Argentine Ambassador, French Ambassador, Belgian Ambassador, Italian Ambassador, British Ambassador, Norwegian Minister, Netherlands Minister, Czechoslovakian Minister, Chargé d'Affaires of Finland, Chargé d'Affaires of Sweden."

The Minister of Foreign Affairs replied as follows to the Argentine Ambassador on August 30:

"I acknowledge the receipt of the collective telegram which in your own name and that of your honorable colleagues who signed it Your Excellency has been good enough to send me and returning your kind salutation I have the honor to inform you that I am informing the Government of the Republic of its contents in order that they may examine its terms and adopt a decision in regard to the same which I will hasten to transmit to you as soon as adopted. Barcia."

You will observe there is no change in procedure from that outlined in my telegram No. 79 of August 29, 3 p. m. Am convinced of wisdom in not joining in proposal of intercession regarding conduct of war for reasons previously reported. Should the Government acquiesce in the proposal and invite cooperation of *corps diplomatique* we can now do so without subjecting ourselves to the criticism of interfering in the internal affairs of Spain from the legal Government.

BOWERS

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852.00/2976 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, September 3, 1936—3 p. m.

[Received September 3—2:20 p. m.]

91. My telegram No. 89, September 2, 2 p. m. Reply dated September 2 has been received by Argentine Ambassador from Minister for Foreign Affairs a translation of which reads as follows:

"I brought to the attention of the Government Your Excellency's telegram of August 30 and again reiterating my personal acknowledgment of your kind greeting I inform you that taking into consideration the initiative and proposal of Your Excellency in your name and in the name of your worthy colleagues of the Diplomatic Corps accredited in Madrid, this Government, the genuine and only constitutional representative of the Spanish people, is limiting itself to dominating a military insurrection which has brought about this painful situation and which the Government desires to see ended in the most rapid manner through the most humanitarian means without omitting any effort which is shown by the past and acts which are now taking place."

The reply seems noncommittal if not a polite refusal. Argentine Ambassador thinks if not clarified Corps should give all correspondence to press and says this could be used as propaganda against Government as I predicted. He calls a meeting 6:30 tonight to discuss the reply and hopes to have Americo Castro, who seems in a vague way to represent the Government here, present to make the interpretation. Talked with French Ambassador who prefers to ask Castro to seek clarification from Madrid and in the meanwhile to withhold correspondence from press. Argentine Ambassador complains press

has embarrassed Corps by misinterpretations of its action and purposes. Probably will attend meeting but without instructions will sign no statement for the press.

BOWERS

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852.00/2957 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, September 3, 1936—5 p. m.

B-17. Your 89, September 2. An Associated Press despatch from Hendaye published today quotes the Argentine Ambassador as stating "that foreign diplomats were seeking a truce in Spain to prevent 'a world war' ". The Ambassador expressed anxiety at the attitude of Italy and Germany toward the conflict and stressed the possibility of a world war resulting from the Spanish revolution, adding "to end the conflict in Spain is the only way to prevent a world war." He stated that the proposal for a truce would be broached probably when delegates from each of the Spanish belligerents reached France for a conference to humanize the Spanish conflict. The Argentine Ambassador said that both the Madrid Government and the insurgents had promised to send delegates to this meeting.

The foregoing, if true, appears to confirm your apprehensions respecting the possible dangers of our taking any part in the meetings of the Diplomatic Corps at Hendaye. We desire that you continue to keep us informed of these discussions for the reasons set forth in my B-14 of September 1, 6 p. m.

HULL

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852.00/2988 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the  
Secretary of State*

HENDAYE, September 4, 1936—12 noon.

[Received September 4—10:05 a. m.]

93. My telegram number 91, September 3, 3 p. m. Castro did not attend meeting of Corps but previously promised to consult Madrid by telephone. Meeting resolved itself into an informal conversation on what report Corps give to press in event Government maintains position of its last note. Italian Ambassador vehemently urged publication of all correspondence which all agree would be seized upon by rebels for propaganda. Since we did not sign note of Corps which has suffered a rebuff from the Government and since we now know it to have been unwelcome by the Government, I am strongly persuaded

we should not now join in signing note urged by Italian Ambassador and others. My suggestion that if any report made to press it should merely say that Corps had done all in its power to bring about an agreement between the belligerents has been unsuccessfully [*sic*] frowned upon by the partisans. I think we could sign such a note without offense. The possibilities of European complications I have pointed out from the beginning more glaring than ever. Another meeting called for 6 this evening and in the absence of instructions to the contrary will act in accordance with suggestions herein, unless you consider it best not to attend at all.<sup>65</sup>

BOWERS

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852.00/2986 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, September 4, 1936—1 p. m.  
[Received September 4—10 a. m.]

357. My 356, August 4, 9 a. m.<sup>66</sup> Foreign Office officials in no way minimize the seriousness with which they view the killing of the Italian in Barcelona. They point out that this is the sixth Italian that has been killed in Spain, that the victim was one of the laboring class, the father of a large family and that the religious element was clearly a factor in causing the attack. The officials state that at present there is no other intention on the part of the Italian Government than to send an additional cruiser to Barcelona in the hope that such a demonstration will prove a deterrent on further occurrences of this nature. They maintain that no landing of Italian troops is now being contemplated.

In press circles, however, it is reported that the cruiser now proceeding to Barcelona has on board 100 regular infantry and 25 Black Shirts fully equipped.

KIRK

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852.00/3019 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, September 5, 1936—noon.  
[Received September 5—10:45 a. m.]

94. While Wendelin silent, French press reports Cabinet change with representation of all parties of Frente Popular. Largo Cabal-

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<sup>65</sup> By telegram No. B-18, September 4, 1 p. m., the Secretary of State instructed the Ambassador not to attend meeting and not to sign note.

<sup>66</sup> Not printed; it reported the publication of an official communiqué regarding the assassination of an Italian laborer in Barcelona "apparently on the ground that he was in possession of religious images" (852.00/2985).

lero, Premier, and Prieto, Minister of Marine and Air. Alvarez del Vayo, Minister of State, left wing Socialist known personally to me. He is brilliant and has manners of a gentleman and was greatly liked by Daniels when Ambassador to Mexico. Caballero has War; a Socialist has Interior. Negrin, Minister of Finance, Socialist Secretary of the University and a man of broad culture. Communists represented in Ministries Public Instruction and Agriculture. Six Socialists representing both wings, two Republicans, two Communists, one Basque Nationalist, one Catalan and Giral previous Premier remains as Minister without portfolio. Early future will disclose significance of the arrangement and whether Prieto and other moderates can influence Caballero. Latter in last speech reported declared Spain naturally antipathetic toward Communism and that he is fighting for "political and industrial democracy". This indicated his movement rightward from previous position but the test of his sincerity will soon come.

BOWERS

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852.00/3030 : Telegram

*The Chargé in Italy (Kirk) to the Secretary of State*

ROME, September 5, 1936—1 p. m.

[Received September 5—noon.]

359. My 357, September 4, 1 p. m. No comment or further information regarding the incident and despatch of warships to Barcelona has so far been published nor is there any editorial comment on the Spanish situation in general. The press last night and this morning, however, shows increased alarm as a result of Popular Front demonstrations in France, the alleged violence of which is attributed to Nationalist victories in Spain and the fear of a Cabinet crisis in France and its potential international repercussions. The newspapers do not for the most part even report the statement attributed by the German press to Italian officials that if France's present systematic violation of non-intervention continued other governments would be forced to resume freedom of action. Foreign Office officials in discussing the Spanish situation take occasion to point out that France is the one country which does not appear to have put into effect the "non-intervention" agreement which she herself proposed.

KIRK

852.00/3014 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, September 5, 1936—2 p. m.  
[Received September 5—9:30 a. m.]

835. The Foreign Office issued a communiqué yesterday categorically denying allegations which have appeared in the Right press here and in foreign papers to the effect that the French Government was not living strictly up to its embargo on the export of war munitions to Spain.

With regard to stories that carloads of war material passed the frontier at Irun for a few days prior to the fall of that city, I am reliably informed that there were in fact instances of this sort but that the railway cars came originally from Barcelona and were merely sent in transit and under seal through French territory.

Despite the report of the recent delivery of Italian planes at Vigo which has caused the Communists here, who have recently been relatively quiet on the Spanish situation, to intensify their demands that the Government should raise the embargo, I am of the opinion that the French Government is continuing to make every effort to live strictly up to the terms of its embargo.

Cipher copies to London, Berlin, Rome.

WILSON

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852.00/3042 : Telegram

*The Consul at Bilbao (Chapman) to the Secretary of State*

BILBAO, September 5, 1936—10 p. m.  
[Received September 5—7:18 p. m.]

Governor Vizcaya requests me evacuate to France Monday morning aboard Destroyer *Kane*, José del Rio delegated by Government to meet in France an insurgent delegate to arrange exchange of prisoners.

Authorization requested.

CHAPMAN

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852.00/3042 : Telegram

*The Secretary of State to the Consul at Bilbao (Chapman)*

WASHINGTON, September 6, 1936—2 p. m.

Your September 5, 10:00 p. m. This Government desires in every feasible way to aid in humanitarian acts and undertakings. But of



course in so doing it must scrupulously keep within the limits of its policy of noninterference in Spanish internal affairs.

Please advise me first whether Del Rio is undertaking a mission in accordance with a definite agreement between the authorized officials of the Spanish Government and the insurgents for the exchange of prisoners. If so will he carry with him credentials in the nature of a safe conduct which would be satisfactory to and recognized by both the Spanish Government and the insurgents.

In view of the supreme importance of strict adherence to our policy of noninterference there must be a definite understanding with the insurgent forces that this Government delegate is aboard the *Kane* for the purpose indicated and that the vessel will not be halted or interfered with in any way by the insurgent forces on this voyage.

Telegraph fully on above points in order that the Department may reach a prompt decision. Also give us your views in the light of the foregoing and those of Commander of the *Kane*.

HULL

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852.00/3037 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, September 6, 1936—5 p. m.

[Received 5:30 p. m.]

X-127. I called to pay my respects this morning upon the Russian Ambassador to Spain. Mr. Rosenberg stated that his appointment to Madrid at the time was intended primarily as a public demonstration of moral support of the Spanish Government by his Government. He referred to the "well-known" fact that two European powers were quite openly supplying the rebels with war material and expressed the opinion that the European democracies should take official notice thereof. I remarked that as far as my Government was concerned it had made it very clear that it would scrupulously refrain from any interference whatsoever in the unfortunate Spanish situation in conformity with its well known policy in this respect. Referring to the situation in Madrid, the Ambassador expressed the opinion that the new Government, which represented the mass of the people, would soon put an end to the lawless activities of certain irresponsible elements. Commenting upon the designation of Largo Caballero to head the new Government, Mr. Rosenberg said that it was his impression that he had been chosen instead of Señor Prieto because the former was the head of the Socialist General Labor Union (U G T) which constituted the backbone of the Popular Front. He said that

Señor Prieto had, himself, told him that this was preferable in order to inspire the maximum confidence of the Socialist militia in the new Government.

Mr. Rosenberg has not received as yet an invitation to attend the meeting of the Diplomatic Corps presumably because the Chilean Ambassador, Acting Dean of the Diplomatic Corps at Madrid, represents a country having no diplomatic relations with Soviet Russia and therefore has not extended an invitation.

WENDELIN

852.00/3047 : Telegram

*The Minister in Uruguay (Lay) to the Secretary of State*

MONTEVIDEO, September 8, 1936—noon.

[Received September 8—11:09 a. m.]

38. Government organ *El Pueblo* publishes note from Uruguayan Minister for Foreign Affairs to Uruguayan Minister to Paris dated August 28 acknowledging thanks of Alcalá Zamora<sup>67</sup> for Uruguay's proposed mediation, giving précis of replies received from countries addressed and concluding by announcing the postponement of the negotiations until more suitable opportunity. Copy of the note was transmitted to the Uruguayan Minister at Washington for communication to Pan American Union with recommendation that he continue the conversations privately in Washington outside the official meetings of the Pan American Union in order to be ready to promote the Uruguayan initiative when any opportunity is presented.

LAY

852.00/3035 : Telegram

*The Consul at Bilbao (Chapman) to the Secretary of State*

BILBAO, September 8, 1936—noon.

[Received 12:37 p. m.]

Department's telegram of September 6, 2 p. m. There has been no agreement between the local government and the insurgents. Government says that they cannot give the insurgents recognition of direct negotiations but that bishops of Bayonne and Pamplona proposed conference to which Government have no objection and therefore gave Del Rio written permission to leave for France, he has no other credentials. My telegram of September 5, 10 p. m., was based upon

<sup>67</sup> Niceto Alcalá Zamora, President of Spanish Republic, 1931-36.

telephone request received at my residence from the Governor's office saying that Governor desired me to take Del Rio on the *Kane*. After a conference with the Governor yesterday afternoon he telephoned to me personally at 10 o'clock last night saying that Del Rio's mission would have to be regarded as unofficial even though bishops intended he should represent Government. In my opinion the case should be annulled until it is evident that the Government and the insurgents will take into consideration recommendations for the exchange of prisoners.

CHAPMAN

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852.00/3119 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the  
Secretary of State*

LONDON, September 11, 1936—7 p. m.

[Received September 11—2: 15 p. m.]

430. A high official of the Foreign Office this afternoon in commenting on the meeting in London of the International Committee for the application of the agreement regarding non-intervention in Spain, said that the non-participation of Portugal was due, in the British opinion, to misunderstanding on the part of the Portuguese Government as to the scope of the Committee, and that Portugal being at the moment in a very precarious situation, both from the Spanish side and from internal difficulties, was disposed to be apprehensive and cautious. The British and French Governments, he said, are now making special efforts at Lisbon to overcome the Portuguese objections. The Committee, which has had only one sitting, under the chairmanship of Mr. W. S. Morrison, Financial Secretary to the Treasury, is scheduled to meet again on Monday. Its object, according to the Foreign Office is to make a collation of the measures which have actually been taken individually by the countries represented to give effect to the agreement for non-intervention<sup>68</sup> and subsequently as may be practicable to consider and make recommendations on suggestions which may be made during the course of the meeting by any interested power. The Committee is now composed of the diplomatic representatives in London of 26 European powers. The action of the Committee, according to the Foreign Office spokesman, could not go beyond the scope of the instructions of the individual delegates, which should completely meet Portuguese objections.

BINGHAM

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<sup>68</sup> For collation of legislative and other measures, see British Cmd. 5300, Spain No. 2 (1936); *International Committee for the Application of the Agreement Regarding Non-Intervention in Spain . . . Report by Mr. Francis Hemming, C. B. E., Secretary to the Committee . . . November 1936.*

852.24/108

*Memorandum by the Chief of the Division of Mexican Affairs (Reed)*

[WASHINGTON,] September 14, 1936.

The Mexican Ambassador called on Mr. Reed this afternoon and said that he had just been called by telephone from Mexico City by President Cardenas. . . .

President Cardenas, in his conversation with Ambassador Castillo Nájera, had then adverted to the fact that some time ago his Foreign Minister, General Hay, had approached Ambassador Daniels regarding the sale by American munition firms to the Mexican Government of arms and munitions for reshipment to the Spanish Government, Ambassador Daniels having replied that, inasmuch as the Spanish Government was represented diplomatically in Washington, it seemed to him that the matter of the sale of American munitions to that Government should more properly be discussed with the American Government by the Spanish Ambassador in Washington. President Cardenas had gone on to say that the Spanish Ambassador to Mexico had now again approached him in the matter and . . . had asked President Cardenas to have the Mexican Government take the question up with the Government of the United States in behalf of the Government of Spain. The Mexican Ambassador, acting under the instructions of his President, therefore inquired whether the Government of the United States would permit the purchase by and shipment to the Spanish Government of munitions and arms from the United States.

Mr. Reed stated that he could not speak for the Department in this matter without having consulted his superiors; however, he was sure that the Ambassador must understand from the various statements that had been issued from the Department that the United States Government would certainly not be disposed to encourage the shipment of arms and munitions to either of the contending parties in Spain. He said that he would ascertain as soon as possible what reply could be made to the Ambassador's inquiry but that in the meantime he would venture to suggest that the reply would be very similar to that which President Cardenas had attributed to Ambassador Daniels, namely, that the matter was one which could be properly discussed only between the Spanish Government's diplomatic representative in Washington and the officials of the Government of the United States. . . .

EDWARD L. REED

852.24/109

*Memorandum by the Chief of the Division of Mexican Affairs (Reed)*

[WASHINGTON,] September 15, 1936.

Mr. Gray<sup>69</sup> advised me this morning that he had shown the attached memorandum<sup>70</sup> to the Secretary and that the Secretary had directed that the matter presented by the Mexican Ambassador be discussed with Judge Moore<sup>71</sup> and Mr. Hackworth,<sup>72</sup> and had suggested that the reply to the Mexican Ambassador be along the following lines:

"We entertain the most friendly feelings toward the Mexican Government and are always more than willing to listen to any suggestions or requests which it may desire to make. However, in the present instance this Government adopted a definite position regarding the shipment of arms and munitions to Spain long before the Mexican Government had broached the subject to it. As that position has been given much publicity, it must be presumed to be well known, and we have no intention of departing from it."

EDWARD L. REED

Note: The above statement between quotation marks was read to the Mexican Ambassador over the telephone at 10:30 a. m., September 15. The Ambassador expressed no comment thereon.

E. L. R.

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852.00/3194: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 18, 1936—8 a. m.

[Received 9:40 a. m.]

X-155. Minister of State Alvarez del Vayo left yesterday for Geneva heading Spanish delegation to League of Nations Assembly. Fernando de los Rios, newly appointed Ambassador to Washington, is member of the delegation.

In interview before leaving with foreign press correspondents Minister of State expressed absolute confidence that Government would conquer rebellion declaring that without military aid from certain foreign countries rebels would have been vanquished before now. He added that the Spanish Civil War affected not only Spain but all Europe and asserted that the Spanish Government was fighting for the peace of the peoples of Europe.

WENDELIN

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<sup>69</sup> Cecil Wayne Gray, Foreign Service Officer, assigned to the Office of the Secretary of State.

<sup>70</sup> *Supra.*

<sup>71</sup> Assistant Secretary of State.

<sup>72</sup> Legal Adviser.

852.00/3247 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 22, 1936—5 p. m.

[Received 5:45 p. m.]

X-164. Note from Ministry of State dated September 21 encloses copies of notes addressed that date to the German, Italian and Portuguese Governments protesting against military aid furnished by those Governments to Spanish rebels and also enclosing six photostatic copies of documents purporting to prove such intervention. Minister of State's note mentioned requests that I bring this to the attention of my Government.

Following is summary of five points presented at some length in the note under reference: (1) Facts enumerated at length in notes to German, Italian and Portuguese Governments demonstrate that the non-intervention agreement signed by those countries has been translated in practice into blockade of legitimate Government of Spain while rebels continue to receive war materials even after signature of this agreement; (2) the official declarations of the "interventionist states" that they have strictly observed terms of non-intervention agreement are disproved by the facts wherefore it is being demanded from "various sectors" that the signatories of this agreement make their position clear regarding its application; (3) the rebellion lacks popular approval and would have been suppressed quickly except for "the armed assistance of Germany and Italy" and the under-cover cooperation of other known elements, which with reference to the recruiting of Moroccan troops and the importation of war materials into Spanish zone of Morocco constitutes a flagrant violation of existing statutes since the Act of Algeciras and the Franco-Spanish convention of 1912; (4) matters have reached such a point that the Spanish Government is obliged to inquire of the American Government, "signatory of the agreement on non-intervention", whether it has given attention to the fact that with the embargo on arms exports to a legitimate government and the toleration of "a direct intervention by Italy and Germany in favor of the rebels" a very grave precedent is being created in international relations under which certain states addicted to a regime of force are attempting to impose their ideology by fomenting civil strife and assisting the rebel forces; (5) in view of the above the Spanish Government requests that the embargo on the exportation of arms to the Spanish Government be raised and a strict prohibition be placed upon the supplying of war material to the rebels.

Identical notes have been sent to all other governments maintaining relations with the Spanish Government. It is observed that under

point (4) the Minister of State's note refers in error to the American Government as a signatory of the non-intervention agreement. I am forwarding the text of this communication and its enclosures by mail at the first opportunity.<sup>74</sup>

WENDELIN

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852.00/3267 : Telegram

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

GENEVA, September 25, 1936—3 p. m.  
[Received September 25—1 : 30 p. m.]

354. My 340, September 21, 11 a. m.<sup>74</sup>

1. The Spanish Foreign Minister in the general discussion in the Assembly this morning made a vigorous plea for a better understanding of his Government's moral and legal position.<sup>75</sup> He insisted that the non-intervention agreement was contrary to international law and wholly to the advantage of the rebels. He denied any interference by Spain in the affairs of her neighbors but accused foreign states with political beliefs similar to those of the rebels of furnishing them with the means of continued resistance. He warned of foreign designs on Morocco and described Spain as a world battlefield of the conflicting ideals of democracy and oppression.

2. Continuous effort had been made during the last few days by a number of delegations particularly the British to persuade Del Vayo to keep his speech within bounds which would not precipitate controversial discussion of the points he would raise. Apparently either this effort was successful or Del Vayo himself considered restraint advisable in order not to create a reaction against him. It appears that a number of Latin American delegations were considering leaving the Assembly hall should Del Vayo make statements of a type which had been generally envisaged, and Saavedra Lamas raised in the Bureau his right to intervene in the event the speech in his view should become objectionable. I understand that the opinion was that he did not have such a right but that Saavedra Lamas had nevertheless intended taking such action should occasion arise.

GILBERT

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<sup>74</sup> Not printed.

<sup>75</sup> League of Nations, *Official Journal*, Special Supplement No. 155, pp. 47 ff.

852.00/3293 : Telegram (part air)

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

GENEVA, September 28, 1936—10 a. m.  
 [Received September 29—11:33 a. m.]

363. I learn from an authoritative source that the Spanish delegation has submitted to the Secretary General documentary evidence of violations of the non-intervention agreement by Germany, Italy and Portugal. So far this evidence has not been made public<sup>78</sup> and it is not yet clear what developments may result from its submission to the Secretariat.

GILBERT

852.00/3349 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, October 4, 1936—10 a. m.  
 [Received 9:05 p. m.]

11. In a decree dated September 29 Council of National Defense in Burgos named General Franco Chief of the Spanish State and Commander in Chief of the national armies in the field.

On October 1st Franco broadcasted a speech from Burgos elucidating the purposes of the movement and examined the future. He said new Spain would be organized along the lines of totalitarian concepts; that the popular vote would be eliminated for better means of expressing the national will; that labor would be guaranteed against the domination of capital, the church respected, taxes revised, independence of the peasant encouraged, and harmonious relations maintained with other nations although no contact would be permitted with Russia.

October 2nd Franco promulgated law organizing new Spanish state. Article I of the law creates a technical Council of State composed of seven departments, viz, Treasury, Justice, Industry, Agriculture, Labor, Education and Public Works. Article II defines powers and duties of the President of the Council. Article III creates office of Governor General who will have charge of civil organization of the occupied territory. Article IV creates Secretariat of Foreign Affairs. Article V creates Secretary General of the Chief of State.

<sup>78</sup> Printed by the Spanish Government and circulated, on September 30, 1936, to all the delegations at Geneva and to the press. Copies of Spanish White Paper. *La "non intervention" dans les Affaires d'Espagne: Documents publiés par le Gouvernement de la République Espagnole*, transmitted to the Department with despatch No. X-27, November 8, 1936, from the Embassy in Madrid, not printed. (852.00/3914)



Article VI provides that President of Council, Governor General and Secretary General shall make necessary regulations for the functioning of these services.

On October 3rd General Franco transferred military headquarters from Caceres to Salamanca.

Despatch follows.

BAF

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852.00/3416 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary of State*

Moscow, October 9, 1936—8 p. m.

[Received October 9—3:30 p. m.]

236. The following is a brief summary of what a responsible official of the Foreign Office told me yesterday regarding the considerations responsible for the despatch of the Soviet note of October 7 to the International Committee on Non-Intervention in Spain.<sup>77</sup>

(1) For a whole month the Committee has taken no effective steps in the direction of seeing that the agreement of non-intervention was being carried out.

(2) The Italian representative has continuously blocked the efforts of the Soviet representative to have investigations made of alleged violations of the agreement by insisting that it was first necessary to discuss the question of inducing other powers to become parties to the agreement and to determine whether or not the agreement should be amended so as to include obligations not to give moral support, money or foodstuffs to one or the other combatants.

(3) The British Chairman has consistently sided with the Italian representative, and the French Government instead of aiding the Soviet representative has on several occasions suggested privately to the Soviet Government that the raising of questions regarding alleged violations is likely to result only in unprofitable friction.

(4) Portugal in the meantime has made little effort to conceal the fact that it is furnishing the rebels with military supplies, while Germany and Italy have been almost as brazenly assisting the rebels in a similar manner.

(5) The Soviet Government has therefore come to the conclusion that unless it takes a firm stand in the matter the Committee will continue to view with equanimity violations by Germany, Italy and Portugal.

(6) It is determined to withdraw its representative from the Committee and to denounce the agreement unless the Committee shows itself determined to bring about an immediate cessation of the violations.

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<sup>77</sup> See London *Times*, October 8, 1936, p. 14e.

(7) The Soviet Government is not as yet prepared to state what steps it will take following such a denunciation. Its actions will be decided by future developments and the exigencies of the moment.

Copy sent to Paris.

HENDERSON

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852.00/3420½

*Memorandum by the Chief of the Division of Protocol and Conferences  
(Southgate)*

[WASHINGTON,] October 10, 1936.

The newly appointed Spanish Ambassador, Señor de los Rios, accompanied by the Chargé d'Affaires, Señor de la Casa, came to pay his first visit to the Secretary.

After the customary exchange of courtesies the Ambassador referred to the difficult situation existing in his country and to the struggle which the legal government is having in maintaining itself. He stated that events in Spain represented a situation not confined to the boundary of that country but to a struggle between two different theories of government. He said it concerned the maintenance of a democracy or the substitution of a totalitarian state. The same forces are at work, he pointed out, in France and the collapse of the present Spanish Government would beyond doubt lead to the collapse of the Popular Front Government in France. This would be followed by a similar result in Belgium.

The French Premier, Mr. Blum, is of course aware of these consequences. His instinct and his desire would naturally be to support the legal democratic government in Spain but other factors have come into the situation. . . .

The Ambassador then referred to the fact that the United States is detached from the elements present in the European situation. He emphasized the importance of the maintenance of democracies against the threat of dictatorships and he felt that democracies must stand as firmly together as possible and aid each other in as practical a way as possible. Bearing this great need in mind he earnestly inquired whether the United States would not find it possible to extend facilities to the Spanish Government which would be of practical aid in assisting it out of its present complications.

Mr. Hull inquired what the European nations had done in this respect. The Ambassador replied that of course we knew what the situation in Europe had caused the European nations to do. Mr. Hull said he wanted to be quite clear on the point, that his understanding was that thirteen of the European nations had agreed on a policy of

non-interference in the internal affairs of Spain and that this procedure seemed to indicate a leadership among the countries most concerned. He added that these countries had decided that the question of non-interference was fairly raised by the Spanish situation.

Mr. Hull then pointed out that the problem of the relationship of the United States with Governments on this Hemisphere had been given a great deal of thought by the present administration, particularly the attitude to be adopted by the Government of the United States not only in times of tranquility in foreign countries but also in times of disturbances in those countries. He said that the Government of the United States had at times in the past occasionally taken entirely innocent steps when difficulties occurred in Latin American countries and that these innocent steps had often led to other complications which had in effect caused interference and even intervention by the United States. Frequently regrettable situations had arisen out of such beginnings.

With a view to avoiding similar difficulties in the future the nations of the Americas assembled at the Montevideo Conference had signed a pact of non-interference in each other's affairs. This pact \* Mr. Hull regards as a great step forward in the maintenance of peace and the free development of the countries concerned. It is interesting to note, he pointed out, that the policies developed in a practical way in periods of tranquility have been the same policies adopted by the European nations under the stress of the present situation in Spain. Mr. Hull felt that on the basis of the conclusions reached at Montevideo and the subsequent leadership of the European nations in the present circumstances, it would be difficult for the United States to deviate from the paths so clearly indicated.

The Ambassador recalled that during the struggle between Calles and Huerta in Mexico, the United States had lent support to the legal Government.<sup>78</sup> The Secretary pointed out that this was one of those actions to which he had previously referred which had led this Government to be criticized and had caused those very difficulties which he was anxious to avoid, and so brought on the Montevideo Convention already referred to.

The Ambassador said that the stated policy of European nations was one thing but that the facts were another. Italy and Germany, with the assistance of Portugal, were known beyond the shadow of a doubt to have furnished military aid to the rebels. He added that every single airplane possessed by the rebels had come from Italy or Germany. In these circumstances the rebels were receiving aid and

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\* "Rights and Duties of States," proclaimed January 18, 1935. [Footnote in the original.]

<sup>78</sup> See *Foreign Relations*, 1924, vol. II, pp. 428 ff.

comfort and the legal Government, which merited the support of other democratic legal Governments, was left without the support it so urgently needed.

Mr. Hull stated that the United States had proclaimed a policy of aloofness in the Spanish situation and was using its moral influence and its persuasion to maintain effective this point of view. There is no law on the statute books to prevent American citizens from selling munitions either to the rebels or to the Government. Any such transactions would be private transactions.

The Secretary again referred to the conclusions reached at the Montevideo Conference. He expressed the earnest hope that the Ambassador would read the treaty and the reports of the committees which had considered the texts thereof. He felt that the views of the Western Hemisphere were well expressed therein.

The Ambassador said, speaking of the Western Hemisphere, that the ties between Spain and the nations of Latin America were intimate. Biologically, and therefore mentally, the peoples of those countries were closely affiliated. The Ambassador felt that the collapse of the legal Government in Spain and the establishment of a totalitarian state would be certain to have serious repercussions on this side of the Atlantic. He referred specifically to Mexico in this connection.

Mr. Hull again emphasized the importance of the Montevideo pact and the importance, for the sake of consistency, if for no other reason, of the United States adhering to the principles thereof in other parts of the world as well as in Latin America. He inquired, as stated, why the French Government, the neighbor and special friend of the Spanish Government, had taken the lead in the intervention movement.

The Secretary then referred to the case of the speech made by the Attaché of the Spanish Embassy. This is the subject of a separate memorandum.<sup>79</sup>

R[ICHARD] S[OUTHGATE]

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701.5211/517

*Memorandum by the Chief of the Division of Protocol and  
Conferences (Southgate)*

[WASHINGTON,] October 10, 1936.

At the conclusion of his conversation with the Spanish Ambassador<sup>80</sup> the Secretary referred to the conversation recently held between Mr. Dunn and Mr. de la Casa with reference to a speech made by Mr. Gibernau of the Spanish Embassy. The Secretary stated that

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<sup>79</sup> *Infra.*

<sup>80</sup> See *supra.*

apparently what Mr. Dunn had said had been misunderstood and that there was no intention whatsoever on the part of the Department to make any statement which could be construed as restricting the freedom of speech of members of foreign Missions on subjects of general interest concerning their own countries.

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852.00/3436 : Telegram

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

[Extract]

PARIS, October 12, 1936—6 p. m.  
[Received October 12—6 p. m.<sup>21</sup>]

991. In the course of a conversation this morning Foreign Minister Delbos expressed to me his opinion on a number of subjects.

With respect to the Spanish situation Delbos said that in spite of the difficulties raised by the Russian *démarche*,<sup>22</sup> the French Government positively would not abandon its attitude of absolute neutrality and non-intervention. He expressed the opinion that the Soviet Government had acted partly in order to maintain the prestige with the world Communist movement and partly in order to try to drive the French Government toward a policy of intervention in Spain. "It was certainly not done to please me," he said. "As you know, I am absolutely opposed to intervention." . . .

BULLITT

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852.00/3491 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary of State*

[Extracts]

MOSCOW, October 17, 1936—2 p. m.  
[Received 2:40 p. m.]

248. Reference my 236, October 9, 8 p. m.

1. The tenor of articles and editorials appearing during the last few days in the Soviet press give the distinct impression that the Soviet Government is preparing to denounce the international agreement not

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<sup>21</sup> Telegram in six sections.

<sup>22</sup> See telegram No. 236, October 9, 8 p. m., from the Chargé in the Soviet Union, p. 535.

to furnish military equipment to Spain on the ground that Italy, Germany, and Portugal have been and are systematically violating it.

8. Officials of the Foreign Office continue privately to point out that the denunciation of the agreement would not necessarily indicate that the Soviet Government would begin systematically to furnish military supplies to the Spanish Government. Most members of the Diplomatic Corps and the foreign journalists appear to be of the opinion that the Soviet Government does not intend to send military supplies to Spain. They feel that the present agitation is due to the desire of the Kremlin to convince the leaders of the world revolutionary movement abroad that the Soviet Union is still a supporter of that movement and at the same time to show the Governments of Western Europe which have been inclined in recent months to permit their foreign policies to follow the lines of least resistance that the Soviet Government can be just as aggressive and determined as the Governments of Italy and Germany when a matter of principle is involved. The Kremlin thus hopes to demonstrate to Great Britain and France that in the future Soviet demands must be given just as much consideration as those of Germany or Italy.

I am inclined to agree in general with the opinions above set forth. I feel, however, that there is a distinct possibility that the Soviet Government may as further evidence of its active sympathy for the world revolutionary movement send a limited amount of military equipment to Spain even though it realizes that it is not in a position to compete with Germany and Italy in the matter of furnishing such equipment.

HENDERSON

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852.00/3542: Telegram

*The Consul at Gibraltar (Williams) to the Secretary of State*

GIBRALTAR, October 23, 1936—1 p. m.

[Received October 23—10:20 a.m.]

Italian ship *Esquilino* arrived today at an early hour from Naples landing 23 veterans of the Ethiopian campaign en route to Tangier and Casablanca and 82 Spanish who are en route to Seville to join Franco's forces.

Moorish troops continue to cross the Straits into Spain escorted by insurgent warship.

WILLIAMS

752.53/30

*Memorandum by the Special Assistant to the Secretary of State and  
Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] October 24, 1936.

The Portuguese Minister came in this morning to say that he had been informed by his Foreign Office that the Portuguese Government has broken off diplomatic relations with the Spanish Government. The grounds for which this action has been taken are the accusations of the Spanish Government that the Portuguese Government has assisted the rebels in violation of the neutrality arrangement entered into with various other European countries; and the accusations that the Portuguese Government have forcibly transported Spaniards who had been involved in the civil war on the side of the Government across the Portuguese border into the hands of the rebel forces, where they were executed. The Minister stated further that the Portuguese diplomatic representative in Spain had been subjected to maltreatment and had been constantly in danger of his life; and also that the Spanish Government naval ships had attempted to injure Portuguese naval vessels, and on at least one occasion had attempted to take possession of the Portuguese naval vessels.

The Minister went on to say that while the Portuguese Government definitely did not want the extreme elements in the present Spanish Government to survive and would prefer to see the nationalist movement in Spain successful, they had not since entering into the neutrality agreement with the other European powers taken any action with regard to the Spanish situation which was contrary to the neutrality agreement. He said, furthermore, that the Soviets never have had a previous occasion to strike at the Portuguese Government and were using the present situation in the Neutrality Committee for the purpose of injuring the good name of the Portuguese Government as much as possible.

JAMES CLEMENT DUNN

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852.00/3561 : Telegram

*The Chargé in the Soviet Union (Henderson) to the Secretary  
of State*

Moscow, October 24, 1936—2 p. m.  
[Received October 24—1:05 p. m.]

256. Reference my 248, October 17, 2 p. m.

(1) The Soviet press during the early part of the week continued its violent attacks on Germany, Italy and Portugal for their alleged

violation of the non-intervention agreement and its demands for decisive action by the Committee. In the middle of the week the violence of these attacks abated to such an extent that observers began to wonder if previous veiled threats had not been in the nature of a bluff.

(2) The statement made yesterday in London by the Soviet Ambassador<sup>83</sup> to the effect that "in any case the Soviet Government . . . is now compelled to declare that . . . it cannot consider itself bound by the non-intervention agreement in any greater measure than any of the other participants in this agreement" has not assisted materially in disclosing the policy which the Soviet Government intends to adopt with respect to Spain.

(3) The Foreign Office has thus far refused to explain to the American correspondents the Soviet Ambassador's ambiguous statement. Similarly according to today's *Izvestia*, the Soviet Ambassador, in reply to a request from Lord Plymouth regarding the meaning of the statement, pointed out that "there was nothing for him to add to the statement, the sense of which was completely clear".

(4) An editorial in today's *Izvestia* devoted to the statement in question says as follows: "The Soviet Union has defined its position in an absolutely clear form; the solution in this question now depends upon the other participants in the agreement." The *Pravda* on the other hand in discussing the same subject states editorially: "So far as the Government of the Union of Soviet Socialist Republics is concerned it is self-evident that it cannot have obligations in the agreement on non-intervention in Spanish affairs other than those which are in practice being observed by other participants in the agreement."

(5) A number of foreign competent observers here are of the opinion that since his return to Moscow, Litvinov has been striving to prevent the Kremlin from taking a step which would entirely alienate the Soviet Union from France and Great Britain and has succeeded in persuading it to adopt such an equivocal position at this time that it is free to move in either direction without altogether losing face. This opinion, in so far as I can ascertain, is based entirely upon [conjecture?]; it seems however highly reasonable.

HENDERSON

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852.01/124a : Circular telegram

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

WASHINGTON, October 28, 1936—6 p. m.

Although our decisions will be based upon our own independent study of the situation and circumstances as the occasions may arise, we

<sup>83</sup> See London *Times*, October 24, 1936, p. 14d.



desire to be kept currently informed of the French Government's attitude toward recognition of the Spanish insurgents either as belligerents or as a government. We are anxious, however, that your efforts to obtain this information should be most discreet and that the French Government should not receive the impression that you are acting upon specific instructions from your government. We suggest, therefore, that in your conversations with the appropriate officials you give the impression that your interest in this matter is due merely to your own desire to keep yourself fully informed for background purposes concerning any developments which might have some significance with regard to the general European situation.

Repeat *mutatis mutandis* to Embassies at London, Berlin and Rome.

HULL

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852.00/3598 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, October 29, 1936—5 p. m.

[Received 5:05 p. m.]

X-261. Despite steady advance of the rebel forces against Madrid increased confidence is noted in Government circles during last 24 hours and new note of optimism is sensed in press and public. Whether justified or not this renewed optimism seems due to the receipt of reinforcements, supplies and war material, expectation of material assistance from Russia and belief that rebels have not sufficient forces to capture Madrid. Order of the day issued yesterday by Largo Caballero declares that "the hour for the decisive effort has arrived" and calls upon citizens of Madrid and armed forces to attack the enemy. Assurance is given "the Government possesses all the means necessary to gain the victory". It is ordered that all prisoners taken are to be respected.

In long conversation with Minister of State last evening he told me he was more confident now for long time past that rebel attack on Madrid would be defeated, expressing the opinion that within a few days the situation would change in favor of the Government. He justified his optimism on ground that rebels do not have sufficient manpower to take city, that Government is receiving constant reinforcements, that the equipment, organization and morale of the troops is improving and that the Government now has firmer control of political situation. On latter point he said that Prime Minister had conference night before last with leaders of powerful Anarcho in the Syndicalist's National Confederation of Labor (CNT) in which case

he called for showdown and received every assurance of support including possible participation in Government. As Commissar General of War, Señor Alvarez del Vayo has been occupied intensively during past week in setting up propaganda and information service in Ministry of War but tells me he will now be able to spend most of his time at Ministry of State.

As reported in daily military reports foodstuffs and supplies are apparently being received in quantity from Russia and reports from reliable sources indicate that Russian planes and other war material including tanks have been received. Air raid by Government planes on rebels' bases at Talavera, Seville, and other points is first offensive activity of this kind for some time and may indicate use of new material.

Above information is transmitted without drawing any conclusions and with every reservation as nothing to date indicates that rebel advance against Madrid has been stopped or that tide is about to turn. Nevertheless evident improvement in Government morale and means of combat make assumption that fall of capital is still premature.

WENDELIN

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852.01/125 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, October 29, 1936—6 p. m.  
[Received October 29—3:39 p. m.]

436. Department's circular telegram, October 28, 6 p. m. As I have already asked to see Ciano at an early date, I shall take that occasion to endeavor to obtain definite information as to the attitude of the Italian Government toward recognition of Spanish insurgents.

Should Madrid fall to the insurgent forces indications here both in the press and from local sources point to the early recognition both by Italy and Germany of the Burgos government. In this connection the retiring French Ambassador told me today that in his farewell audience with the Duce 2 days ago the latter had emphasized that Italy was in no way interested in acquiring any Spanish territory but to this he had added "but Catalonia". This was brought in in such a way as to indicate to De Chambrun that developments in Catalonia might be of such importance as to justify possible interference by Italy. While the Duce did not further elucidate what he had in mind De Chambrun interpreted his reference to Catalonia in the following sense: General Franco is about to take Madrid and in all probability the Italian and German Governments will at once give recognition to

his government. There is then the possibility that the present Madrid Government will retire to Barcelona, will be submerged in the present Communist government there and in consequence Catalonia will become an intensely Communistic sore spot which will continue to develop unfortunate repercussions in other parts of Europe.

Following the meeting of the International Committee in London yesterday the Italian press devotes much prominence to the Spanish situation. This afternoon's papers editorially state that Russia must answer not only to the Committee but to all Europe for its illicit intervention in Spain. The government spokesman maintains that by aiding the handful of men who represent the Madrid Government against a national government which now controls five-sixths of Spanish territory and is supported by the mass of the people, Russia is in effect declaring war on the real Spanish Government and nation. All editorials on the subject implicitly or explicitly warn France as to the consequences of her Russian alliance.

PHILLIPS

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852.00/3691

*The Ambassador in the United Kingdom (Bingham) to the Secretary of State*

No. 2615

LONDON, October 29, 1936.

[Received November 6.]

SIR: I have the honor to refer to my despatch No. 2610 of October 27<sup>24</sup> and to previous correspondence relating to the meetings in London of the International Committee for Non-Intervention in Spain. It will be recalled, as reported in the despatch above cited, that the Russian Ambassador was requested at the seventh meeting for a further elucidation of the Russian position, as set forth in his letter of October 23. At the eighth meeting of the Committee, which was held yesterday afternoon, the Soviet Ambassador read to the meeting the explanation requested from his Government of their declaration that they could not consider themselves bound by the Agreement to any greater extent than any of the remaining participants. "Until there were guarantees", the new declaration stated,

"against further supply to the rebel generals of war materials by the Governments sympathizing with their aims, and until an effective control over the strict fulfilment of the non-intervention obligations was established, those Governments who considered supplying the legitimate Spanish Government as conforming to international law, order, and justice were morally entitled to consider themselves not more bound by the Agreement than those Governments who supplied the

<sup>24</sup> Not printed.

rebels in contravention of the Agreement. Such was the meaning of the concluding parts of the previous Russian statement. . . .<sup>84a</sup>

“Russia had proposed control over Portuguese ports: Lord Plymouth had suggested control in Spanish ports and on the Spanish frontiers; Russia would not object to such control in territory not occupied by the rebels if the consent of the Spanish Government was obtained. The Soviet Government proposed to begin immediate discussion of the combined proposals.”

There is enclosed a copy, as printed in the *Times* this morning, of the lengthy communiqué issued at the conclusion of the meeting yesterday<sup>85</sup> which, it is understood, covers fully the conclusions reached and the various arguments advanced. Following the text of the communiqué is a statement regarding two Portuguese notes to the chairman of the Committee which were made public yesterday. The first note refers to the complaints from the Spanish Government which had been brought to the notice of the Committee by the British Government, and the other is a reply to the charges made by the Russian Government. With reference to the assertion of the Portuguese Government of its right to withdraw from the Committee “at any moment”, it may be observed that this is a right which the members of the Committee have had all along.

It is reported in the Press that the Italians have made a series of new charges against the Russians not yet public, which are outlined in a lengthy note communicated by the Italian Ambassador to Lord Plymouth. A request of the Italians that the minutes of each meeting be published was approved yesterday by the chairman’s sub-committee, and later the full Committee approved recommendations that communiqués should be issued in future after meetings of the sub-committee as well as of the full Committee, and that the full texts of documents and declarations might be attached in exceptional cases.

Commenting upon yesterday’s meeting, the *Times* this morning states that the violence of the language used by the Committee surpasses anything that had yet been heard and probably anything heard at any international meeting in modern times, the Russian and Portuguese representatives being apparently the chief protagonists in this verbal battle. The discussions of the Committee have obviously as yet reached no conclusion, save that there seems to be a general agreement, with the exception of the Russian representative, that the allegations against Italy and Portugal have not been proved.

The question of the working of the Spanish Non-Intervention Agreement is to come up in the House of Commons this afternoon

<sup>84a</sup> Omission indicated in the original despatch.

<sup>85</sup> Not reprinted.

in full debate and the Foreign Secretary, Mr. Eden, is expected to open the discussion by making a statement on the British Government's policy.

At a joint meeting yesterday in London of the executives of the Labor Party and the Parliamentary Labor Party and the General Council of the Trades Union Congress, the decision was made to drop even qualified approval of the Government's policy on non-intervention in Spain. The declaration adopted and published in this morning's papers is as follows:

"Having considered the proceedings of the joint meeting of the Bureau of the Labour and Socialist International and the executive of the International Federation of Trade Unions in Paris on October 26, 1936, this joint meeting representing the British Labour movement declares, in conformity with the resolutions adopted by the Plymouth Trades Union Congress and the conference of the Labour Party at Edinburgh, that the right of the constitutionally elected Government of Spain to secure, in accordance with the practice of international law, the means necessary to uphold its authority and to enforce law and order in Spanish territory, must be re-established.

"In view of the fact that the non-intervention agreement has proved ineffective in its operation, this joint conference calls upon the British Government, acting in collaboration with the French Government, immediately to take the initiative in promoting an international arrangement which will completely restore to democratic Spain full commercial rights, including the purchase of munitions, and thus enable the Spanish people to bring their heroic struggle for liberty and democracy to a victorious conclusion."

Respectfully yours,

For the Ambassador:  
HERSCHEL V. JOHNSON  
*First Secretary of Embassy*

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852.01/128 : Telegram

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

PARIS, October 31, 1936—1 p. m.  
[Received October 31—1 p. m.]

1069. Your circular, October 28, 6 p. m. From conversation at the Foreign Office it would seem that the French are at present thinking along the following lines: It would be a great mistake to take any action regarding recognition which would tend to destroy the unity of decisions by dividing the country so to speak into two Spains. The French therefore are not likely to recognize a state of belligerency because in the first place such action would necessarily have the tendency mentioned above and in the second place it would inevitably lead to embarrassing situations through recognition of belligerent rights to visit and search neutral shipping.

The French believe that the Germans and Italians will recognize the Spanish insurgents shortly after the capture of Madrid but that the British will go more slowly. The present French Government relying for support on political groups of the Left parties which openly espouse the cause of the Madrid Government obviously must proceed with great caution in the question of recognizing any new regime in Spain.

Copies by mail to London, Berlin, Rome.

BULLITT

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852.00/3616 : Telegram

*The Ambassador in Italy (Phillips) to the Secretary of State*

ROME, October 31, 1936—7 p. m.

[Received October 31—5:22 p. m.]

439. My 436 October 29, 6 p. m. Count Ciano told me this afternoon that the Italian and German Governments would recognize the Franco Government as soon as it had entered Madrid which was expected within 1 week. In reply to my inquiry as to whether he was disturbed about possible eventualities in Catalonia he replied that the Italian and the German Governments were in entire agreement with regard to the prevention of the set-up of any Communist state in the Mediterranean. I pressed him for further information as to the form such prevention might take and whether the two Governments would lend assistance to General Franco in his efforts to subdue Catalonia. Ciano merely repeated that Berlin and Rome were in accord as to the necessity of preventing the existence of any Communist state in the Mediterranean. He went on to say that a rumor had just reached him to which he could not attach much importance that several thousand Soviet troops were leaving Russia for Barcelona. He admitted that owing to the impossibility of secrecy in the despatch of such a large body of men it was exceedingly doubtful that the Soviets would undertake it but he was nevertheless making every effort to ascertain whether there was any foundation for the rumor.

I asked him whether he had information as to the French internal situation. He replied that while in Berlin he had found Goebbels<sup>86</sup> greatly concerned, believing that a Communist outbreak might occur at any time. Ciano himself did not seem to share this view, he said that the Communist supply of arms and ammunition had been located in Marseilles but that now it had all been sent to Spain to assist the Madrid Government and that without a supply of weapons no serious trouble need be expected.

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<sup>86</sup> German Propaganda Minister.

Ciano told me that the speech which the Duce will make in Milan tomorrow would be a very important one and devoted in large extent to foreign affairs.

PHILLIPS

852.00/8804

*Memorandum by the Chief of the Division of Near Eastern Affairs  
(Murray)*

[WASHINGTON,] November 2, 1936.

During a call from the Italian Ambassador on October 30 to discuss another matter, he referred to the present situation in Spain and stated that if he were at this time in the Foreign Office he would advise Mussolini to take all steps that might be necessary in order to prevent a Communist regime being established in Spain or in any portion of Spain, such as in Catalonia.

The Ambassador went on to express at some length his views regarding the danger that Communism constitutes to Western civilization and pointed out that Italy could not tolerate the establishment in Spain of Communism since in that eventuality it would soon spread to France and to the very borders of Fascist Italy. Such a development, the Ambassador stated, would place Italy in grave peril in view of the fact that she is faced on the East by Slav peoples racially affiliated with the Russians and who might in time fall victim to Communism and thus close Italy in on two sides.

I asked the Ambassador whether, in his opinion, as a result of the recent conversations of Count Ciano in Berlin, where a position was taken favoring the Fascist rebels against the Leftist Government, the relations between his Government and the Soviet Government, which during certain recent periods had been rather friendly disposed to each other, might be expected to become embittered. The Ambassador replied that such embitterment would undoubtedly ensue between the two governments but that the Italian Government was fully prepared for such a development.

WALLACE MURRAY

852.01/130 : Telegram

*The Ambassador in Germany (Dodd) to the Secretary of State*

BERLIN, November 3, 1936—6 p. m.

[Received November 3—3:25 p. m.]

321. Embassy's 319, October 30, noon.<sup>87</sup> With regard to Spanish situation the Italian Embassy stated this morning that they considered two problems were involved for them.

<sup>87</sup> Not printed.

First, whether the present Madrid Government would disappear upon the capture of the city by Franco or would remove to another location in Spain such as Alicante or an interior city. In the former event which would be the easiest for the Italians but probably unlikely the Italian Government could immediately recognize Franco Government without further thought. In the event of the transfer of the Madrid Government to another location while this presented a certain difficulty the Italian Embassy believes most probably its Government would assume that the Madrid Government need no longer be reckoned with and Franco would be recognized as the Spanish Government.

Secondly, was the problem of Catalonia. This was the more serious question. The Italian Embassy felt it would take considerable time to work out. They reiterated as previously expressed to us (see Embassy's 257, August 18, 6 p. m. 2nd page<sup>88</sup>) that on no account could Italy contemplate the establishment of a Soviet regime on the Mediterranean. Nothing was said with regard to what specific measures the Italians might take to this end but the definiteness of their attitude was not left in doubt.

In this latter connection the Italian Embassy said that increasing quantities of war material principally trucks and airplanes and personnel mainly aviators were entering Spain via the Black Sea. This also added to the difficulty and danger of the Catalonian matter.

Cipher text mailed to Rome, Paris, London, Istanbul, Riga, Moscow.

DODD

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852.01/131 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Secretary of State*

LONDON, November 4, 1936—6 p. m.  
[Received November 4—3 : 55 p. m.]

511. Your circular October 28, 6 p. m. From a conversation with a high official of the Foreign Office who, while speaking with apparent frankness, stated definitely that he could at the moment only express his personal views, I have the following impression :

The British feel that Germany and Italy will recognize Franco's government almost immediately he enters Madrid. In view of the known sympathy of those two Governments with Franco's movement, the British feel that their influence at Madrid will in that event be very powerful and that it will consequently be essential for the Governments of the democratic countries to take some early action which

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<sup>88</sup> i. e., last paragraph of telegram No. 257, p. 493.



will prevent Franco from falling completely into the pockets of Berlin and Rome. The question of recognition of Franco, should he be successful, is now being carefully studied in the Foreign Office. The official felt it to be important that some "middle ground," short of actual immediate recognition, be found which would meet the situation of fact. He emphasized that the matter was still under consideration and that no real decision had been reached.

Copy to Paris.

BINGHAM

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852.00/3692

*The Spanish Embassy to the Department of State*

[Translation]

No. 131/02

The Embassy of Spain at Washington presents its compliments to the Department of State, and by order of the Spanish Government transcribes to it the following telegraphic information received of even date, for which it requests the greatest attention :

"Decisive deposition relating to an Italian soldier arrested four days ago on the Madrid front near Parla. Said soldier's name is Luigi Corsi Siliberta and he is a native of Villa Costelli, Province of Brindisi: it is not a case of a man having come voluntarily to fight Spain, since, according to the statement made by him he was brought here forcibly. Luigi Corsi belongs to the 10th Army Corps, Artillery at Rome; he joined his regiment April 19 and according to the provisions of the law he must remain in its ranks 18 months, that is to say, that Luigi Corsi must serve in the Italian Army until October 10, 1937. According to the statement signed by him, his coming and that of his companions was ordered by Knight Commander (*Comendador*) Luigi who commands the Italian 10th Artillery Corps who harangued them at Rome, choosing for the expedition 50 soldiers, no one of whom volunteered. The day of their departure each one of them was given 200 lire, and on arriving at Cáceres Lieutenant Ravello, who commands them, gave them 200 pesetas. The 50 Italian artillerymen embarked at Genoa and with them the said Lieutenant Ravello, and two more lieutenants landed at Vigo. The vessel also brought 15 cannon and 50 boxes of ammunition each one of ten charges of 65/17. They were transported from Vigo through Salamanca, Cáceres, Talavera and Torrijos to Toledo as it was possible to verify from the notebook the prisoner carried on his person. At Cáceres he was able to see 15 tanks, all Italian, and driven by Italian soldiers. The prisoner asserted that on the line at Illescas were the six cannon in the service of which he was engaged in preparing the emplacement for the guns. Each one of the latter, Luigi Corsi continues saying, was in command of an Italian officer, and there were also loaders, gunners and assistants of the same nationality. The vessel which carried them from Genoa to Vigo was Italian and likewise

the captain and all her officers and crew belonged to the Italian navy. Luigi Corsi on arriving in Spain was promoted to sergeant (*brigada*) by his chiefs."

WASHINGTON, November 5, 1936.

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852.00/3681 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, November 5, 1936—noon.

[Received 4 p. m.]

X-281. My telegram No. X-279 of November 4, 2 p. m.<sup>89</sup> Following government was formed late last evening: President of Council of Ministers and Minister of War, Largo Caballero; Minister of State, Alvarez Del Vayo; Minister of Marine and Air, Indalecio Prieto; Minister of Justice [*Finance*], Negrin; Minister of Gobernación, Galzarza; Minister of Labor, De Gracia; above are all Socialists. Minister of Public Instruction, Jesús Hernandez; Minister of Agriculture, Uribe; above two Communists. Minister of Hacienda [*Justice*], Juan Garcia Oliver; Minister of Marine [*Industry*], Juan Peyro; Minister of Commerce, Juan Lopez Sánchez; Minister of Public Health (*Sanidad*), Federica Montseny Mañé; above four represent Anarcho-Syndicalist National Confederation of Labor (CNT). Minister of Public Works, Julio Justo; Minister of Propaganda, Carlos Esplá; above two Left Republicans. Minister of Communications, Giner de los Rios, Union Republican. Ministers without portfolio: José Giral, Left Republican; Manuel Irujo, Basque Nationalist; Jaime Aiguadé, Catalan Esquerra.

New government includes three new Portfolios, namely Commerce, Public Health and Propaganda. All parties and labor organizations supporting Popular Front are now represented in the government as Socialist-General Labor Union (U and T) is also represented by Socialist Ministers.

WENDELIN

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852.01/134a : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, November 6, 1936—6 p. m.

B-60. I appreciate the timeliness and importance of the information you have been sending in and I am particularly desirous of having the

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<sup>89</sup> Not printed.

Department fully informed with regard to the developments in the Spanish situation in the immediate future.

In the event of the capture of Madrid by the insurgents, you should send in any information which may come to you regarding the status of and attitude toward other Governments of any Government which purports to be a continuation of the present Government or of any Government which claims to be acting in the name of the Spanish Government in any part of Spain. A similar telegram has been sent to American Embassy, Madrid.

HULL

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701.5216/25 : Telegram

*The Chargé in El Salvador (Fisher) to the Acting Secretary of State*

SAN SALVADOR, November 8, 1936—3 p. m.  
[Received 8:18 p. m.]

52. With reference to my despatch 827, October 15th,<sup>90</sup> Diego Buigas, who resigned as Spanish Chargé d'Affaires ad interim here to support the revolution, informs me that the Salvadoran Government this morning recognized the Burgos Government and extended recognition to him as Chargé.

FISHER

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701.5214/10 : Telegram

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

GUATEMALA, November 9, 1936—9 a. m.  
[Received 11:55 a. m.]

76. Guatemalan Government yesterday sent telegram of recognition to Spanish rebel government<sup>91</sup> and has received as Chargé d'Affaires Francisco Lopez Escobar, former Chargé d'Affaires of the Spanish Republic.

DREW

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852.00/3756

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] November 9, 1936.

The Acting Secretary received the Spanish Ambassador this afternoon. The Ambassador stated that he had come on instructions from

<sup>90</sup> Not printed.

<sup>91</sup> See telegram No. X-317, November 17, noon, from the Embassy in Spain, p. 760.

his Government to transmit a telegram he had received from his Government, a translation of which follows.

“The Government has decided to temporarily establish the capital of the Spanish Republic in Valencia, from where it is ready to continue the fight against the rebels with redoubled energy on all fronts, and particularly on the central front, coordinating all fighting elements offered by the vehement desire of all loyal regions to Spain, to mobilize themselves in a combined effort to save Madrid. Upon taking such a decision the Government, even against its reiterated resistance to leave Madrid, has taken into consideration the definite advice of its military commanders, and authentic information from the rebel side, according to which they count on a large scale upon the possibility of isolating the legitimate Government. They, the rebels, were advised to carry out this manoeuvre by their foreign allies with the idea of facilitating their recognition by the foreign governments. Before leaving Madrid the Spanish Government left everything ready for the defense of the heroic city. The change of seat of the Government does not mean in anyway during the war alternatives, abandonment or retreat, but, on the contrary, it is a new impulse for the final fight.”

The Ambassador stated that the insurgents had not been able to enter the city of Madrid and that it would be extremely difficult for them to do so in view of the natural advantages for defensive purposes of the conformation of the ground on the outskirts of Madrid. He spoke particularly of the form of the Manzanares River. He stated that while the river itself was very shallow, probably not more than two feet deep, it flowed through a wide and deep declivity in the ground and the banks on each side were extremely high; that the banks on the Madrid side of the river were made higher by retaining walls and parapets, in fact to a great height which gave the ground on that side the command of the approaching country.

The Ambassador also stated that he had been instructed to ask to be received by the President as he had some important matters to discuss with the President and inquired whether an appointment could be made for him to be received at the White House.

The Acting Secretary stated that he would transmit his request to the President as soon as possible and he knew that although the President was heavily burdened with appointments and press of official public business at this time he would make every effort to receive him as soon as convenient if it could possibly be arranged and that the Ambassador would be notified as soon as a reply was received from the Executive Office.

J[AMES] C. D[UNN]

852.00/3732 : Telegram

*The Consul General at Barcelona (Perkins) to the Acting Secretary of State*

BARCELONA, November 9, 1936—5 p. m.

[Received November 10—2: 10 p. m.]

My November 7, 5 p. m.<sup>92</sup> Yesterday parade of radical organizations consisting of Anarchists, Socialists and Communists occupied between four and five hours in passing the Consulate General. Demonstration was in honor of the Soviet anniversary November 7, was orderly and non-military and did not arouse much display of enthusiasm on the part of the bystanders who were far less numerous than might have been expected. In the afternoon President of Catalonia in broadcast hailed "Glorious Russia and the Glorious Republic of Catalonia." Evening of the 7th Soviet Consul General held reception attended by officials of the local government.

My October 14, 6 p. m.<sup>92</sup> Soviet steamer of about 3000 tons has arrived at Barcelona and according to reliable information is discharging munitions of war. Unverified reports of two other Soviet steamers at southern ports. Also that munitions arrived here in small lots by sailing ships and motor trucks from France.

PERKINS

852.00/3728 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

ST. JEAN DE LUZ, November 9, 1936—6 p. m.

[Received November 10—9: 15 a. m.]

153. Department's B-60. If Madrid falls France certainly will not rush to the recognition of Franco but the capture of the capital will change the picture, Herbet, French Ambassador, told me this morning. When I saw him before as I reported in my No. 137,<sup>93</sup> he thought after Madrid's fall the rebels might be recognized as a belligerent power. Today he doubted this because of the possible serious political repercussions and embarrassments in France and also because with such recognition the rebels could take their ships into ports now denied them resulting almost certainly in incidents in the Mediterranean.

He says that with Madrid's fall a minor member of his staff, the Consul and the Military Attaché will remain in Madrid and the Embassy at St. Jean de Luz. He thinks the government of Azaña un-

<sup>92</sup> Not printed.<sup>93</sup> Telegram No. 137, October 20, 4 p. m., not printed.

doubtedly [apparent omission] the continuing constitutional government of Spain but that it remains to be seen whether it can exercise real authority over the territory it holds after the fall of Madrid. Should it clearly fail in this, the recognition of Franco would be hastened.

He agrees with my impression that the combined strength of real Fascists and real Communists does not represent 10 percent of the people but that the contest is tragically taking on the aspect of a war in Spain between Germany and Italy on one side and Russia on the other and he says that France has no disposition to become involved in such a quarrel. He fears that if this struggle is prolonged too long it will result in the breaking up of the Little Entente on the same issues and precipitate a European war. For the moment he thinks watchful waiting the safest policy for England and France and, he added, the United States.

His information from the Balearic Islands is that Italy is completely in control but he doubts the permanency of the situation which he ascribes to the irresponsible actions of another d'Annunzio in another Fiume.

I also saw Chilton, British Ambassador, today. He has had no direct intimation from London regarding the question of recognition. If Madrid falls the Secretary and Consul will remain in Madrid without recognition of the Franco regime to look after British interests and the Commercial Attaché will be sent there at once for commercial purposes and especially for the sale of badly needed coal. He likewise understands the Balearic Islands completely dominated by the Italians. I have the strong impression that the British are miffed by Del Vayo's sharp reply to Eden's note on prisoners and would like to recognize Franco on the slightest pretext but will act in accord with France, which will not grant recognition merely on the taking of Madrid.

My own impression is that our course should be determined on the effects of the loss of Madrid and on the demonstration of the government's capacity to maintain its authority, wage war with reasonable hope of success and prevent anarchy in Catalonia. We certainly ought not to consider recognition before France and England but act simultaneously with them.

The Fascist powers and their satellites among the minor nations, and Cuba and the South Americans except Mexico and possibly Brazil (despite action of its Legislative body in sending congratulations to the "heroes of the Alcazar" and the decided pro-Fascist partiality of its Ambassador here) all intense partisans of the rebels from the first day of the rebellion, will probably recognize at once. The ambition of Azaña and his government at outbreak of rebellion was to cultivate close relations with the United States and England. The exigencies of war have brought Extreme Left personalities into the Government

and the enthusiasms of these are for Russia and Mexico partly because these alone have sold war material to the Government. Thus far even these Extreme Leftists have been notably friendly and considerate to us.

The Franco "government" is most intimately tied up with Germany, Italy and Portugal and it is commonly assumed in diplomatic circles that it will be extremely partial to them. Soldiers in San Sebastián wear a badge with German, Italian, Portuguese and Spanish flags together. These people are hostile to France and thus far have been perfectly correct and outwardly friendly to us and England.

BOWERS

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852.00/3736 : Telegram

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

PARIS, November 10, 1936—6 p. m.

[Received 7:36 p. m.]

1099. There have been certain press reports indicating that Blum's speech to the National Committee of the Socialist Party on November 8 foreshadowed a change in the French Government's non-intervention policy as regards Spain. In a conversation today at the Foreign Office it was stated definitely that there was no consideration being given to any change in this policy regarding Spain. What apparently happened, we gather, in the speech before the Socialist Party was that Blum, to satisfy the more militant members of his party, indicated that France would be prepared to consider the question provided Great Britain desired to do so, knowing full well that there was no chance of any change in policy on the part of the British.

It was indicated to us at the Foreign Office that the French and British were in agreement that there was no reason to give consideration, for the time being at least, to the question of recognition of any new regime in Spain. The French are able to maintain satisfactory relations through their consuls with the *de facto* authorities who are exercising power in that part of the country under control of the Nationalist forces and apparently expect to continue this procedure as regards Madrid after the capture of that city by the Nationalists.

The Foreign Office added in strict confidence that they had just heard that the governmental military forces were withdrawing from Madrid and that utterly paradoxical as it might appear, the Syndicalists and Anarchists who are remaining behind are in negotiation with the Nationalists for the surrender of the city.

Copies by mail to London, Rome, Berlin.

BULLITT

852.00/3796 : Telegram

*The Consul at Seville (Bay) to the Acting Secretary of State*

SEVILLE, November 18, 1936—2 p. m.

[Received 3 p. m.]

13. About 1200 Germans, some in khaki and boots, arrived Seville night before last. It is rumored these are part of 5000 Germans who arrived at Cadiz November 16th though rumor has not been confirmed. About half of those arriving Seville left last night northward by motor truck and in small touring cars of foreign design. This contingent appears to be officered and equipped with motor transportation and field kitchens but no army officers have been seen. Those remaining in mufti are billeted in large hotel and now sight-seeing.

Leakage of military information has increased police vigilance and mere curiosity often leads to arrest.

BAY

852.01/143 : Telegram

*The Ambassador in Italy (Phillips) to the Acting Secretary of State*

ROME, November 18, 1936—7 p. m.

[Received November 18—2:23 p. m.]

471. The following official communiqué has just been issued:

“Following the taking possession of the greater part of Spain by the government of General Franco and the development of the situation which has demonstrated even more clearly that in the remaining sections of Spain one can no longer speak of the exercise of a responsible governing power, the Fascist Government has decided to recognize the government of General Franco and to send to this government a Chargé d’Affaires for the opening of diplomatic relations. The Chargé will proceed immediately. The present diplomatic representative has been recalled.”

Count Ciano has just advised me that at 6 p. m. this evening the Italian Government has given formal recognition to the Burgos government. He told me that similar recognition has been given by the German Government.

PHILLIPS

711.00111 Unlawful Shipments/73

*The Acting Secretary of State to the Spanish Ambassador  
(De los Rios)*

The Acting Secretary of State presents his compliments to His Excellency the Spanish Ambassador and acknowledges the receipt of the Ambassador’s note of November 10, 1936, enclosing a memo-



randum, in regard to the shipment of arms from the United States to Spain.<sup>95</sup>

The Acting Secretary of State informs the Ambassador that arms, ammunition and implements of war cannot be legally exported from this country until an export license for each proposed shipment has been obtained. No exporter has made application for a license to export arms to Spain since the beginning of the present civil war in that country. Allegations of illicit shipments of arms for which no license has been obtained have on several occasions been brought to the attention of the Department. Heretofore investigation of such allegations have failed to substantiate them. The cases of possible illicit exportation cited in the memorandum transmitted with the Ambassador's note will be brought to the attention of the appropriate authorities of this Government and will be investigated with the same care as has been exercised in such investigations heretofore.

WASHINGTON, November 19, 1936.

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852.01/147: Telegram

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

PARIS, November 19, 1936—6 p. m.  
[Received November 19—3:15 p. m.]

1131. It is the view of the Foreign Office that the recognition of Franco by the German and Italian Governments before the capture of Madrid is intended as an act of encouragement to the Nationalist forces. They feel moreover that while reports indicate that the Germans and Italians have no present intention of withdrawing from the London Non-Intervention Committee nevertheless the "encouragement" which may be expected from those quarters will be something more than of a moral nature.

They are worried here regarding the announcement by the Burgos government of an intention to bombard Barcelona. It is likely that in an effort to avoid any risk of complicating the situation French naval vessels now at Barcelona will withdraw from that port.

There is no change in the French attitude as regards recognition and they continue to think along the lines described in our 1069, October 31, 1 p. m.

Copies by mail to London, Rome, Berlin.

BULLITT

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<sup>95</sup> Not printed. Statements were made regarding alleged shipments of war material for the Spanish rebel forces.

852.01/148 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, November 19, 1936—7 p. m.

[Received November 19—3: 55 p. m.]

545. In a conversation at the Foreign Office today reference was made to the fact that Germany and Italy were expected to recognize Franco as soon as he entered Madrid (see my 511, November 14 [4], 6 p. m.) but Foreign Office did not attempt to conceal that it was disturbed by the fact that in the given circumstances Germany and Italy had virtually made Franco's cause their own. Foreign Office doubted whether they would leave the Non-Intervention Committee and indicated that Germany in particular, in their opinion, did not really desire trouble with Russia at this time. It was emphasized that recent events had in no way changed the British attitude, that every effort would continue to be made to localize the conflict and certainly Great Britain had no intention of being drawn into a tug of war. Foreign Office believed that the French Government took the same view but added that if the non-intervention policy definitely disappeared it was difficult to say what the French would eventually do; the French Government's complicated internal situation might necessitate action.

Foreign Office also said that it was far from sure when Franco would be able to enter Madrid, that there were even some indications that certain of his units might be in considerable danger, and that in any case it looked as though the war would drag on almost indefinitely. Although it was now difficult to see how it could be brought about, my informant personally thought the best ultimate solution for Spain was a loose federation of semi-autonomous states and in this connection mentioned that there were indications that one reason the Catalonians declared their independence was so that they might be in a position to negotiate if necessary some such settlement for themselves.

BINGHAM

852.01/149 : Telegram

*The Ambassador in Germany (DodD) to the Acting Secretary of State*

BERLIN, November 19, 1936—7 p. m.

[Received November 19—3: 57 p. m.]

342. The action by Italian and German Governments yesterday appears a step in the direction toward which we have for some time feared the two countries were tending. If the recognition is to give

Franco moral support with a view to speeding up the capture of Madrid it can scarcely but involve Italian and German prestige. Having recognized Franco as conqueror when this is yet to be proved, Mussolini and Hitler must see to it that he is successful or be associated with a failure. This a dictator can ill afford to do. The recognition at this stage may mean therefore that a decision has been taken by Mussolini and Hitler to go the whole way in helping Franco and to prevent at all costs the establishment of a separate Moscow sympathetic government in Catalonia, et cetera.

We have been watching this Spanish situation for some time from Berlin with growing apprehension. While we have felt that Hitler was glad to use it in his anti-Communist campaign, we doubted that he was personally desirous for the situation to develop critically or dangerously. As indicated in our 332, November 14, noon,<sup>96</sup> we think Hitler's principal preoccupation is Central Europe. But we fear that Hitler may be letting himself be led by Mussolini and the Italian *rapprochement* into adopting a decisive attitude regarding Spain. We have been feeling for some time—and there is reason to believe that many Germans in the Foreign Office and elsewhere share the view—that the Mussolini connection might prove unfortunate as having a too stimulating effect on Hitler's adventurous instincts and more especially act as a spur and support to those more rash influential personalities about Hitler. For example, Bohle<sup>97</sup> who has been increasing in influence lately has just returned from a "glorious" visit to Rome. Hitler's great weakness is his venturesome nature which he has managed ably to restrain thus far except to take reasonable chances such as the reoccupation of the Rhineland. But if Mussolini's cynicism and calculated daring are added to the Hitlerian pot the brew becomes pretty volatile and doubly dangerous.

There is good reason for believing that the Foreign Office wanted to limit its support of Franco to the negative actions of withdrawal of the German Chargé d'Affaires until Franco took Madrid. The positive step by Germany yesterday goes much farther and as indicated gives the unhappy impression that the die is being cast for a full dress support of Franco despite the statement credited to the Foreign Office press section reported in the last paragraph of my 338, November 18, 8 p. m.<sup>98</sup> The arrest of numerous Germans in Russia may have exerted an influence as it may have given the more radical element around Hitler just that impetus to push things over the line.

<sup>96</sup> Not printed.

<sup>97</sup> Ernst Wilhelm Bohle, head of the Foreign Organization of the National Socialist Party of Germany.

<sup>98</sup> Not printed; the statement under reference was to the effect that "this action does not change German Government's position regarding non-interference agreement." (852.01/144)

Parenthetically the effect on the Blum government of Salengro's<sup>99</sup> suicide may be another important factor in the rapidity of development of the Spanish situation as viewed from Berlin.

Cipher text mailed to London, Paris, Rome, Moscow, Praha, Riga, Istanbul.

DODD

852.01/154 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the  
Acting Secretary of State*

LONDON, November 20, 1936—2 p. m.

[Received November 20—1 p. m.]

548. Embassy's 545, November 19, 7 p. m. Two of Eden's answers to questions asked in the House of Commons are worthy of note:

1. Replying to a query as to whether the British Government had any intention of recognizing General Franco's government, Eden merely stated "that there is a distinction between the recognition of belligerents and the recognition of any one side as the Government of Spain". Incidentally, the diplomatic correspondent of the *Times* today points out that this distinction "would be likely to raise in acute form the question of according belligerent rights to General Franco. There would be an inverse parallel for such an emergency in the history of the American civil war". The diplomatic correspondent of the *Daily Telegraph* states in this connection, "The position of British shipping wishing to utilize the Spanish Government ports must remain somewhat obscure until it has been decided whether the Nationalists are entitled and able to establish a blockade". It is doubtless sufficient that the British Government is inquiring of the Burgos government about the possibility of their establishing a specified safety zone for neutral shipping off Barcelona similar to that already established off Valencia and other Government ports (see Embassy's 511, November 4, 6 p. m.).

2. Replying to a query whether the declarations of Germany and Italy did not constitute an open and deliberate breach of non-intervention and how it was proposed "to meet this new aggression" Eden stated, "It is quite possible to pursue a policy of non-intervention in respect of the supply of arms while recognizing a government on one side or the other. That is in fact what most nations have been doing hitherto because they have recognized the Government of Spain but have pursued a policy of non-intervention. So far as breaches are concerned I wish to state categorically that I think there are other governments more to blame than those of Germany or Italy."

In this general connection the diplomatic correspondent of the *Daily Telegraph* comments as follows that "the blockade announcement from Burgos is an intimation that all steps will be taken to prevent the shipment of arms, munitions, and men from Soviet Russia to the ports con-

<sup>99</sup> Roger Salengro, French Minister of Interior.

trolled by the Madrid Government. Further, it is already established that General Franco's naval forces have intercepted two Soviet vessels and compelled them to unload their cargoes in ports under Nationalist control. This fact is significant in that it does not appear to have drawn any forcible protest from the Soviet Government. From this it has been deduced in some quarters that Moscow is aware that it is in no position to break through the blockading forces which General Franco can now count upon to execute his plan. The two vessels concerned together with all other Russian ships detained by the Nationalists have since been released."

BINGHAM

852.00/3937

*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

No. 1230

ST. JEAN DE LUZ, November 20, 1936.

[Received December 1.]

SIR: I have the honor to report as follows with respect to the present civil war in Spain:

#### I. THE RUSSIAN PHASE

In the beginning of the rebellion the Communists were of no great importance. All references in the press to "Communists" must be viewed in the light of the fact that the most conservative liberal is habitually described by the Fascists as communistic. When some years ago an attempt was made in the New York Legislature to expel four Socialists just elected to that body, Chief Justice Hughes and Elihu Root both denounced the proposed expulsion. Under the Insurgent interpretation of the word in Spain both Root and Hughes would, by virtue of their liberality, be denounced as Communists.

When the rebellion broke there were no Communists or even Socialists in the Government. The Communists took their stand with the Government, and so far as I have been able to learn, they have acted as a party within the law. The Syndicalists, who are the most bitter enemies of Communism, and the Anarchists quite as hostile, indulged in rioting and outrages and posed in places as "Communists", and where they did not so pose, the propagandists of the Fascists dubbed them Communists.

In the midst of the darkness that enveloped the Government, when the two democracies of Europe were actually aligning themselves by their policy against the Government, the Russian Ambassador reached Madrid to present his credentials. It was the first gesture of friend-

ship for the recently elected Government after the beginning of the war and the Ambassador was given a great ovation. But the democratic republicans and the moderate socialists joined in this ovation for perfectly natural reasons. The press, however, gave the impression that every one who cheered the Ambassador was necessarily a Communist.

That the actual Communists resent the activities of the criminal Syndicalists and Anarchists is evident in the fact that the Russian Ambassador told his callers, including Wendelin, that these had to be brought within the law.

The second phase of the Communist puzzle came with the adoption of the non-intervention pact. This made it impossible for the Government to buy arms to put down an insurrection. It was resented by all who stand merely for a democratic republic—by Azaña and Barrio, as an unfriendly act on the part of the two Democracies. Thus did the two democracies compel all who stand for liberalism and democracy, but who have no sympathy with Communism, to welcome the support of Russia.

When after two months of flagrant violations of the non-intervention pact by Germany, Italy, and Portugal, Spain made her protest and presented her proof, and the non-intervention committee began to play with the situation as in the case of Abyssinia, and Russia demanded the rigid enforcement of the pact on all the signatory powers, Russia associated herself again in the popular mind as the one reliable friend of Spain.

Up to this time no one had seen a Russian plane, a Russian tank, or any Russian war material. I carefully questioned from twelve to fifteen war correspondents on this point and not one had seen anything of the sort. I am convinced that Russia observed the pact until the moment she formally announced that she would not be bound "to any greater degree than any other signatory of the pact."

Having served notice she began to send such material as she could to Spain. There is no doubt that she has since then sent in planes and other implements of war, keeping pace with Italy and Germany. It had become clear that if Germany and Italy were to be permitted to arm Franco's army, and no nation was to be allowed to sell war material to the Government, the Government would be defeated. Consequently when Russia began to send material all supporters of the Government from the most conservative democratic republicans to the extremists were most grateful. Just as the drowning man does not scorn the rescuer who pulls him from the water because of his religion, the supporters of the Government did not refuse the support of Russia because it is Communistic.

The most disturbing and puzzling thing to me, however, is that the newspapers and the radio station in Madrid indulge constantly in communistic propaganda. Azaña's paper, *Politica* is as bad as the others—which means of course that Azaña no longer dominates its policy. It seems incredible that the different parties in the *Frente Popular* do not have their own papers, and the only explanation I can offer is that Communism must thoroughly permeate the members of the typographical unions and that these being alone able to print them have taken them over.

To what extent Communism has grown among the masses of the people as a result of the war it is impossible to determine now. The ruthlessness of the insurgents, the slaughter of women and children, the policy of terrorism has created a bitter resentment among the masses, and I am convinced that Communism has grown greatly, if temporarily, as an expression of this resentment.

The traditional stupidity of Bourbonism is illustrated in the case of my own servants. Three and a half years ago they were all reactionaries, monarchists, devotees of the Church. In the elections of November, 1933, they all voted Right. When the Rights took power they at once repealed or ignored all the laws enacted by the Azaña regime in the interest of labor and the peasants. One day I overheard a conversation between the butler and another servant and heard him say that "this man Azaña is the only man who is interested in us." I have never mentioned politics to any of my servants, but my curiosity was aroused and I observed their trend. In the elections of last February I think that almost all of them voted with the Azaña Party. Since the rebellion their bitterness has increased and I notice that where six months ago they were all hostile to and contemptuous of Communism, they are delighted now with Russia's attitude. This war is making Communists. If a Fascist State is established or a military dictatorship, pledged to the repeal of labor and agrarian laws, takes power, I am convinced that the communism will spread rapidly. Meanwhile we must not lose sight of the fact that only a dozen Communists were elected to the Cortes last February out of more than 470 members. They had put forth their utmost strength, and this was the best they could do. That measures the real Communist sentiment in Spain at the beginning of the war.

## II. THE STATUS OF THE WAR ON NOVEMBER 18TH

The present status of the war may easily be changed before this reaches the Department, with the ending of the battle for Madrid.

At this time the insurgents hold the territory they have held from

the beginning, with the addition of San Sebastián and Irun which they took two months ago. Their territory is mostly in the purely agricultural sections, and while they hold many famous towns like Segovia, these towns are small. I should not say that because they hold this territory that the people within it are predominantly against the Government. I cannot say that in view of the fact that in a large part of this territory the majority for the Government in the February elections was decisive. The unarmed peasants confronted by soldiers emerging armed from the barracks in these quarters were helpless to resist.

The Government holds Asturias and the province of Bilbao, the fourth largest center of population in Spain, and the second most important industrial section; Barcelona the largest city with more than a million inhabitants and Catalan the most important province; Valencia, the third largest city, and the whole of the Mediterranean country from Barcelona to Malaga. At this moment it still holds Madrid—which means that at this moment the greater part of the population of Spain is held by the Government.

The battle of Madrid is of the utmost importance, not from the viewpoint of military strategy, but because of the moral effect and the psychological effect. Just as the insurgents had no doubt they would triumph in five days, or before the first of August, they were positive two weeks ago that they would take Madrid within three days. The stubborn resistance of Madrid has clearly interfered with their general plans. In my opinion if they fail to take Madrid they are through. It is absolutely necessary for them to triumph there to go on. If they do triumph, the future will be determined by the effect in the large territory still held by the Government.

The fight in Madrid on the part of the insurgents is being made almost entirely by the Moors and the Foreign Legion. Reinforcements of Moors have been brought over from Morocco because of the decimation of these Moors by the Government artillery a week ago. It is understood that all the professional Moorish soldiers that can possibly be spared from Morocco have been brought over, and that the last who came were untrained tribesmen. It is significant that the insurgents are not in position to augment their forces to any important extent from among the Spaniards. Thus, man-power may determine the event if the war continues long, unless Italy and Germany send soldiers from their armies.

In case of the prolongation of the war, man-power and money will decide the issue unless a European conflict is precipitated through the active intervention of the Fascist States. In both man-power and money the Government at this time has the advantage.



### III. THE SHELLING OF THE TELEPHONE BUILDING IN MADRID

The indiscriminate bombing of the center of Madrid and the residential sections resulting in the killing of many women and children, and the dropping of incendiary bombs resulting in disastrous fires, indicates the utterly ruthless character of the war. We are particularly concerned with the fact that the building of the Telephone Company has been deliberately shelled.

From the beginning of the war I am convinced that Colonel Behn and the Company have acted with perfect propriety. They have maintained the service throughout the whole of Spain. In Government territory they have served the Government forces to the extent of giving them such service as they have required; but in rebel territory they have done precisely the same thing.

But because the Telephone Building is the tallest and most impressive in Madrid, I understand that for a time, at least, the military commanders in Madrid used the tower for the purpose of directing artillery fire. I assume that it was impossible for the Company to prevent this use of the tower. If it was used for only a day or so for the purpose, it has continued to be used by war correspondents and Colonel Fuqua for observation purposes and it is reasonable to assume that the rebels through glasses have known of the presence of people in the tower. Under the circumstances, assuming that the insurgents were convinced that those in the tower were military men, I suppose that it was legitimate under the rules of war to attempt to drive them out by shelling.

If there is any feeling against the Company on the part of the insurgents, I cannot discover a single act on the Company's part to justify the feeling. The action of Cardenas, reported to you by telegraph,<sup>1</sup> in trying what seemed to be a bald attempt to blackmail Colonel Behn into contributing to the war chest of the rebels may possibly, but not probably, be responsible for the shelling of the building. It will be recalled that Cardenas' crude attempt took the form of a threat. I am persuaded, however, that the shelling was due to the feeling that the tower was being used by military officers to direct artillery fire.

### IV. THE CONDEMNATION OF JOSÉ PRIMO DE RIVERA

After imprisonment for more than four months, José Primo de Rivera, head of the Fascists, has been tried by court martial on the charge of initiating the rebellion and sentenced to death. His brother was given a life sentence.

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<sup>1</sup> Not printed.

My impression is that this trial was precipitated by the action of Germany and Italy in prematurely according recognition of Franco. It is common knowledge that Azaña has a personal liking for the young Fascist. Just before the rebellion when feeling was running high against the Fascists because of the disturbances in Madrid, Azaña sent for Primo, who is impetuous and prone to expose himself without discretion, and asked him to leave the country for a short time. When he refused, Azaña had him arrested and confined. At the time, Primo's friends said that Azaña had probably saved his life.

The remarkable thing has been that he has not been brought to trial since the rebellion. This has been ascribed in part to the protection of Azaña and in part to the claim that the insurgents have the son of Largo Caballero and had threatened to kill him if Primo was executed. At any rate, he has been living in the prison at Alicante. The Government group in charge there made it clear to Jay Allen, whom I know personally, a distinguished journalist, that Primo was not their prisoner but the prisoner of Madrid. Allen got the impression that the people in Alicante were in favor of his execution but were unable to act because of the position of Madrid.

In prison young Primo has continued his indiscretions, openly in the presence of his captors, assuming a defiant and contemptuous attitude. When Allen interviewed him in prison he, who liked the young man, as everyone does who knows him, cut the interview short because of the astounding indiscretions of Primo.

The question of commutation of sentence has been put up to the Government. If Largo Caballero refuses to intervene he will know that he is thus turning his own son over to the firing squad.

Primo's chances have not been brightened by the fact that everywhere the insurgents are in control his picture is prominently displayed, and by the premature recognition of the Burgos people by Germany and Italy. I think it scarcely an exaggeration to say that he is the victim of his friends.

## V. ITALY AND GERMANY IN MOROCCO

The fact that the Italians are from all accounts, and very minute accounts in British papers, in complete domination in the Balearic Islands, and the Germans rather powerful in the Canary Islands cannot easily be disassociated from the idea that both Germany and Italy, particularly the latter, have an understanding with Franco. I enclose an article from the *Manchester Guardian*<sup>2</sup> written in London regarding what is said to be going on in Morocco. It is said that the

<sup>2</sup> November 18, 1936; not reprinted.

pro-Italian and pro-German attitude there is distinctly anti-British and anti-French.

The press has had scarcely anything to say about the Pan-Arabic Congress in Tetuan. I assume that our representative there has informed the Department, but the interpretation of the British may not be without value. It will be observed that General Franco appointed a delegate in the person of General Belgleder, who is pro-Nazi, having been Spanish Military Attaché in Berlin and having kept up his contacts there since leaving. Also that during the Congress he was attended by German officers. The Italian delegate was an Arab, thought an Italian subject. He has launched a Pan-Arabic movement with propaganda which essentially is anti-British. The organizers of this movement have close contacts with the Italian and German Consulates.

I invite attention to the statement that the Moroccans are said to have been promised independence or a status similar to that of Egypt.

The possible international complications involving the control of the Mediterranean are apparent.

#### VI. RUTHLESSNESS AND PUBLIC OPINION

In the beginning of the rebellion I described General Franco as a man of keen intelligence and common sense, with a saving sense of humor and with humane instincts. I enclose an editorial from the London *News-Chronicle*<sup>3</sup> which expressed the same views, and which now retracts them. It expresses the amendment I am forced to make on my estimate of the man because of the reckless indiscriminate bombing and shelling of the residential and business sections of Madrid, unless it should develop that Franco, while ostensibly the head of the army, is unable to control this phase of the fight. The greater part of the bombers are Italians from the Italian army and the methods employed are quite similar to those used in Abyssinia. Certainly there is nothing in Franco's manner, appearance, or background to harmonize with this war on the non-combatant population of a large city. But it is currently reported that the former King, Alfonso, has protested against this policy to Franco. If he is responsible it can only come from the fact that in his humiliation over his failure to take Madrid in a few days, he has permitted his resentment to get the better of his judgment. Or that, like the Government, he is embarrassed by his associates and is forced to yield to the Fascists on this point.

Respectfully yours,

CLAUDE G. BOWERS

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<sup>3</sup> November 18, 1936; not reprinted.

852.01/176

*The Minister in Portugal (Caldwell) to the Acting Secretary of State*

[Extract]

No. 1109

LISBON, November 20, 1936.

[Received December 4.]

SIR: I have the honor to report that the announcement of the recognition of the Burgos Government by Germany and Italy, made public here day before yesterday, had already been so largely discounted as to cause no surprise. On the other hand, the fact that Portugal did not extend expected recognition at the same time was a subject of comment, to which even the *Diario da Manhã* (semi-official organ of the Government) made guarded reference in a leading article on the subject.

The chief reason for Portuguese delay in extending immediate recognition to the Burgos Government, for which its active sympathy has never been concealed, was probably an unwillingness to extend recognition at a time and in a form when such a step might be generally regarded as marking adherence to an international group under the leadership of Hitler and Mussolini, and consequently capable of interpretation as an unfriendly gesture to France and especially to Great Britain, with which latter country Portugal has so long been bound by the engagements of the Anglo-Portuguese alliance.

This interpretation seems to be borne out by the fact that the Chargé d'Affaires of the Argentine Republic was called to the Foreign Office day before yesterday and was informed without further explanation that Portugal intended to recognize Burgos in the near future; from which incident I am led to believe that Portugal would prefer, if possible, to make her recognition coincide with that of certain South American countries, particularly Brazil, Argentina and Chile,—countries which cannot possibly be regarded as having any immediate interest in the bitter rivalries by which Europe appears to be divided.

On the other hand, although Portugal has not made her recognition simultaneous with that of Germany and Italy, it is now by no means certain that she will be willing, as she has on other occasions in the past, to await or follow either French or British policy in this respect.

In this connection, although in the circumstances Portugal cannot be expected in questions of diplomacy to give strong and immediate support to either Italian or German policy, in matters of internal policy and of fundamental sympathy the close similarity between the principles of government which are now found in Germany, Italy

and Portugal are frankly recognized by leading newspapers, most of which are regarded as semi-official in character.

Respectfully yours,

R. G. CALDWELL

701.6252/22 : Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, November 21, 1936—7 p. m.  
[Received November 21—5: 11 p. m.]

345. My 338, November 18, 8 p. m.<sup>4</sup> An interesting appointment has just been announced in the press namely that of General Von Faupel, retired, as Chargé d'Affaires to the Franco government at Salamanca.

Von Faupel is a well-known, extremely energetic officer considered locally, we understand, as one of the best military organizers in Germany. For some years after the war in which he was corps and army commander, and until 1929, Von Faupel was in Peru as adviser to its army. Since then he has been president of the Ibero-American Institute here. In his early career Von Faupel studied in Russia and speaks the language.

Mayer<sup>5</sup> has known Von Faupel in Peru and here, considers him a man of exceptional force and character and well fitted to organize the Franco armies if this should be the real reason of the appointment.

Please inform Military Intelligence, War Department.

Repeated by wire to Paris, London, Rome.

DODD

852.00/3855 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

ST. JEAN DE LUZ, November 23, 1936—7 p. m.  
[Received November 23—5 p. m.]

167. Viscount Mamblas formerly of the Foreign Office and close in [apparent omission] with leaders of the rebellion said in the presence of Thurston<sup>6</sup> that the Havas Agency has announced the appearance in Cartagena waters of a number of submarines and that as the rebels

<sup>4</sup> Not printed; but see telegram No. 471, November 18, 7 p. m., from the Ambassador in Italy, p. 558.

<sup>5</sup> Ferdinand L. Mayer, Counselor of Embassy in Germany.

<sup>6</sup> Walter Thurston, Counselor of Embassy in Spain, temporarily at St. Jean de Luz, France.

have no submarines these must be foreign. He is sure they are not German and therefore must be Italian. Just learned, in connection with radio from the *Kane*, that there seemed to have been an explosion on the Government cruiser *Cervantes* in the harbor of Cartagena. This is a possible forerunner of what most people here expect from the Italian Navy.

BOWERS

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852.00/3857: Telegram

*The Ambassador in Italy (Phillips) to the Acting Secretary of State*

ROME, November 24, 1936—noon.

[Received November 24—8:25 a. m.]

483. In conversation with Count Ciano yesterday he expressed the opinion that in spite of the delay General Franco would certainly take Madrid. In reply to my inquiry he said it was true that Soviet ships were on the way but according to his information they were carrying supplies rather than men. I asked him whether he intended to prevent these ships from landing in Spanish waters. He said that this was not the intention of the Italian Government for the present at least and that whatever action might be taken in the future would be left to be determined in the future. He made it quite clear to me that there was no immediate danger of hostilities involved in the coming of the Soviet supply ships. He mentioned that certain sections of the American press did not understand the Italian position with regard to the Spanish conflict; that Italy was trying to save western civilization from Communist domination and that that was all there was to it. He felt that if the American public could only realize the actual situation and the dangers involved if Communism obtained the upper hand in this part of the world they would more readily appreciate the efforts of the Italian Government. He added that he hoped I would make this clear to my Government which I assured him I would do.

PHILLIPS

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852.00/3928

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn) of a Conversation Between the Acting Secretary of State (Moore) and the Spanish Ambassador (De los Rios)*

[WASHINGTON,] November 25, 1936.

The Spanish Ambassador came in this morning by appointment to transmit to the Department a copy of an official statement issued by

the Spanish Government<sup>7</sup> with regard to the alleged activities of German and Italian war vessels in and near Spanish waters. This statement was published in the papers of today's date.

The Ambassador, after delivering this statement, spoke of the conditions now obtaining in Madrid. He said that he had been on the telephone yesterday with his Foreign Office and had been informed that the situation in Madrid was extremely dangerous; that there was great difficulty in sending forward food supplies which, although being done daily, had now reached the point which would require rationing of the food in Madrid. He also said that there was no guarantee of safety for the inhabitants of Madrid, that in fact all those who remained in Madrid were subject to being killed by the repeated bombardments of the Insurgent forces. He said that his Government had informed him that up to the present over one thousand women and children had been killed in Madrid by the bombing carried on by the attacking forces. This outside of any of the men who have been killed in the city. He stated that his Government had refused to admit that there was such a place as a neutral zone in the city of Madrid<sup>8</sup> which was not subject to bombing by the Insurgents, because to admit a neutral zone would by the same act, admit that other parts of the city could be bombed.

The Acting Secretary stated that he wished the Ambassador and his Government to know that our decision to remove our nationals and officials from Madrid to Valencia<sup>9</sup> had not been influenced by any political considerations but that we had been actuated solely by our concern for the safety of American lives in the face of the dangers any one in Madrid would encounter. The Ambassador said that he considered the removal of our nationals and officials to Valencia to be a wise course and that this decision had been well received by his Government who were doing all they could to cooperate in arranging facilities for this removal.

The Acting Secretary expressed to the Ambassador his regret at the trying circumstances under which his Government was laboring at the present time and the Ambassador replied to the effect that his Government were still hopeful of having a successful issue of the present situation.

JAMES CLEMENT DUNN

<sup>7</sup> Not printed.

<sup>8</sup> See telegram No. X-297, November 9, noon, from the Third Secretary of Embassy in Spain, p. 754.

<sup>9</sup> See footnote 1, p. 772.

852.00/3882 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, November 25, 1936—4 p. m.

[Received November 25—1:10 p. m.]

567. In a conversation at the Foreign Office today it was admitted that the French had, as reported in the last paragraph of my 561, November 23, 7 p. m.,<sup>10</sup> exerted sufficient pressure to dissuade the British Government from according belligerent rights to the Spanish warring factions and the Foreign Office obviously considered its recent action as a makeshift measure which might well prove to be merely a temporary stopgap. I gathered that the Foreign Office would have preferred to have recognized Franco's faction as a belligerent and accompanied the recognition with a statement setting forth fully the reasons therefor.

My informant personally characterized the position as absurd: Great Britain and France were recognizing a government no longer in power, Italy and Germany had recognized one that has not yet come into power, and none of the governments has recognized the real situation, namely, a state of belligerency arising out of civil war.

Foreign Office stated the British Ambassador had again been instructed to approach Franco in the matter of designating a specified safety zone at Barcelona; Foreign Office did not interpret Franco's recent communication as proclaiming a blockade and was inclined to think its real intention was to clear Barcelona of neutral shipping so that if a Russian munitions ship arrived there it could be forcibly dealt with. Foreign Office again made reference to the extent to which Italy and Germany had allied themselves to Franco's cause (my 545, November 19, 7 p. m.) and said that no doubt the situation was going to become increasingly complicated and difficult but that Great Britain had no intention of being dragged into a trial of strength.

Asked about conditions in Spanish Morocco, Foreign Office replied that they were ordered and quiet, that the use of the Moorish troops had had no political repercussion there.

BINGHAM

852.00/3886 : Telegram

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

PARIS, November 25, 1936—11 p. m.

[Received November 25—8:30 p. m.]

1149. The French Government has become extremely apprehensive with regard to the possibility of general European war growing out

<sup>10</sup> Not printed.



of the Spanish conflict. The Council of Ministers decided this afternoon to approach the British Government with a proposal that France and England unitedly should bring the utmost pressure on the Soviet Government on the one hand and the German and Italian Governments on the other to attempt to compel them to stop the incognito war which they are waging against each other in Spain.

The French Government is convinced that the Soviet Government desires to push the conflict to the bitter end on the theory that even though in the first instance the Soviet Government would suffer a defeat through the overthrowing of the Madrid and Barcelona Governments by Italian and German troops enlisted in Franco's army, the final result would be an attempt by the Germans to establish a new status in Spanish Morocco and an attempt by the Italians to maintain possession of the Balearic Islands which would result in war between Germany and Italy on one side and France and England on the other. This the Soviet Government anticipates would lead to eventual Bolshevization of the whole of Europe.

The Italian Ambassador this evening expressed to me his conviction that it would be impossible for the Italian Government at this time to cease to support Franco even if the Soviet Government should cease to support the Madrid and Barcelona Governments, Franco's effectives being clearly insufficient to enable him to conquer the whole of Spain.

The French Government has reason to believe that the German-Japanese pact<sup>11</sup> with annex published today in Berlin is accompanied by certain unpublished agreements which will lead to close cooperation between the German and Japanese Governments in preparation of armaments, but that it does not contain any specific pledge on the part of either to go to war at once if the other should become involved in war with the Soviet Union.

Fear of general European war resulting from the Spanish conflict has increased enormously in Paris during the past 24 hours.

BULLITT

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852.00/3906 : Telegram

*The Consul at Seville (Bay) to the Acting Secretary of State*

SEVILLE, November 27, 1936—3 p. m.

[Received 10:15 p. m.]

14. Referring to my telegram of November 18, 2 p. m., it is estimated that 7,000 men arrived in Cadiz in two ships including contingents of artillery, aviation, transport and infantry completely motorized and equipped. Twenty 5-inch guns apparently for long range and battery

<sup>11</sup> See vol. I, pp. 390 ff.

of anti-tank guns seen in Seville. Aviation section is constructing air fortifications around city.

Traffic in port has been at the maximum for the month past owing to visits of numerous German vessels. War material is unloaded in a remote and enclosed section of the port. Exportations at unprecedented levels. There is a shortage of silver coin and the requirements to have all peseta bills stamped is causing general apprehension.

RAY

852.00/3907 : Telegram

*The Chargé in Nicaragua (Ray) to the Acting Secretary of State*

MANAGUA, November 27, 1936—5 p. m.

[Received 7:05 p. m.]

235. The Minister for Foreign Affairs states that the Nicaraguan Government today sent the Spanish Chargé d'Affaires ad interim in San Salvador its congratulations on the triumph of the forces of General Franco and of the new Spanish government.

Under Secretary for Foreign Affairs states this to be along the lines of Estrada doctrine<sup>12</sup> and tantamount to recognition.

Nicaraguan Government states this action taken to show its solidarity with Guatemala and Salvador against Communism. Please see my despatch No. 340.<sup>13</sup>

RAY

852.00/3911 : Telegram

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

PARIS, November 27, 1936—9 p. m.

[Received November 28—10:35 a. m.<sup>14</sup>]

1157. The Italian Ambassador said to me this evening that he had just been in communication with the Italian representative in Geneva and that he anticipated the Italian Government would take the position that the conflict in Spain was not a proper subject for consideration by the League of Nations. He expressed the opinion that the moment had arrived when, in the interest of European peace, it had become necessary to terminate the Spanish conflict by a Franco victory at the earliest possible moment; that an attack in force on Barcelona must be made immediately. He added that the Italians were still apprehensive with regard to the attitude that Great Britain might take if such an attack should be made.

He admitted that Franco's position had become so dangerous that decisive aid must be brought to him at once or it would be too late.

<sup>12</sup> Instituto Americano de Derecho y Legislación Comparada, *La Doctrina Estrada* (Mexico, 1930).

<sup>13</sup> Dated November 24, not printed.

<sup>14</sup> Telegram in two sections.

He expressed the opinion that "Franco" triumph would result in hordes of Communists and Anarchists making their way into France where they would attempt to produce a revolutionary overthrow of the French Government.

He hoped we were aware that just as Germany and Italy could not tolerate a Communist government in Spain they could not tolerate the establishment of a Communist government in France and would have to intervene.

I gathered from the general tenor of his remarks that Mussolini has definitely decided to throw in all the forces necessary to achieve victory for Franco and that he is waiting only to be certain that England will remain passive.

BULLITT

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852.01/168 : Telegram

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

GENEVA, November 28, 1936—10 a. m.

[Received November 28—9:55 a. m.]

483. 1. The Secretary General has circulated a communication from the Spanish Government appealing to the Council of the League in virtue of article No. 11 of the Covenant<sup>15</sup> to proceed at the earliest moment possible to an examination of the situation created by the recent actions of the German and Italian Governments.

The note characterizes the recognition of the Franco government by these powers as virtually an act of aggression and states that the proposed blockade by that government of Spanish Government ports is a factor likely to create international difficulties, particularly in view of the circumstance that one of the Governments recognizing "the rebels is preparing, as is proved by information in the possession of the Government of the Republic, to cooperate with them in the naval sphere as they have done in the air and on land."

2. On the practical side, in view of the general political situation, it is not seen here that the Council can accomplish anything of use.

On the technical side, the convening of the Council is mandatory. Delegations of certain Council States here are, however, pointing out that although in the October assembly Del Vayo made assertions respecting the Spanish question the League has not heretofore been seized of the matter, that now it is brought forward by Spain in the light of recognitions of Franco, that the Covenant does not apply to a civil conflict and that likewise the League has no competency in respect of recognition which is purely a sovereign act.

On the other hand, numerous official statements by Paris and London have indicated that, in the view of those Governments, the Spanish

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<sup>15</sup> *Foreign Relations*, The Paris Peace Conference, 1919, vol. XIII, pp. 69, 83.

situation has developed from a civil conflict to one which endangers the general peace. The technical arguments cited above may, however, continue to be employed to obviate the League's taking a position.

It is not yet known on what date the Council will be convened. Thus far, the Council Governments have only been informed of the Spanish request. As Chile's presidency of the Council continues, it is subject technically to the call of Edwards, Ambassador at London, whom Santiago has notified to the Secretary General as Chilean delegate succeeding Rivas Vicuna, who owing to serious illness has returned to Chile.

The question of the participation of Germany in the Council may arise under article 17 of the Covenant. It will be recalled that in the affair of the Rhineland occupation the Secretary General sent direct a notification which was ignored and that later Berlin participated in the Council, responsive to Council action taken in London. It is assumed here, in any event, that in this case no official communication will be made to Berlin, except by the Council after it convenes. What may be taking place direct between interested capitals is naturally a different matter.

In general, the course the affair will actually follow is here purely a question of speculation.

GILBERT

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852.00/3922 : Telegram

*The Ambassador in France (Bullitt) to the Acting Secretary of State*<sup>16</sup>

PARIS, November 28, 1936—1 to 6 p. m.  
[Received November 28—1 : 30 to 3 : 30 p. m.]

1160. In the course of a conversation this morning Delbos, Ministry of Foreign Affairs, said to me that he regarded the present situation as extremely grave: "Europe is on the verge of general war."

He stated that the Madrid Government had not consulted him but had consulted Eden with respect to its appeal to the Council of the League of Nations. Eden had advised against this step. He, Delbos, felt that it was unwise since Italy would certainly refuse to attend any such meeting and both Italy and Germany would ignore any decisions.

He said that Litvinov had advised the Spanish Government that he felt the League Council could do nothing effective at this moment but that he would support the position of Madrid.

Delbos said that he had proposed to the British Government a project for the settlement of the Spanish conflict which the British Gov-

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<sup>16</sup> This telegram was received in five sections, numbered separately as Nos. 1160, 1162, 1163, 1164, and 1165. No. 1161 (not printed) is a separate telegram relating to a different subject.

ernment seemed to regard favorably. He had not yet received a definite reply from the British Government but expected one shortly. His project was for England and France jointly to issue an appeal (which would be close to a demand) to the Governments of Germany, Italy and the Soviet Union to make a gentleman's agreement on their honor immediately to stop all supplies of men and munitions to the conflicting parties in Spain and to join England and France in an immediate proposal to Franco and the Madrid Government that they should accept mediation at once.

He said that he feared an attack in force by the Italian fleet and the Italian army disguised as Franco troops on Barcelona was imminent.

1162. He then said that he had a remark to make which he would not dare to make officially but which he would like to make to me personally.

He had agreed that the joint action of Great Britain and France would be insufficient to produce any result. He believed, however, that if the President of the United States should join in this joint *démarche* the chances of success would be great. He wished to ask me therefore what would be the attitude of the United States Government with respect to this matter.

I replied speaking personally and not officially that it was my opinion that the President could not join in any such joint *démarche* at the present time, that the President being on the high seas<sup>17</sup> and that his purpose now was to produce a solidarity for peace between the nations of the Western Hemisphere that it might be most prejudicial if he should at this moment involve himself in rearranging the affairs of the continent of Europe.

I added that it seemed to me that with [*without?*] the support of the President of the United States the *démarche* would have no effect. It must be known to him as it was known to me that Franco was so short of effectives that if he should not receive immediate and great support from Italy and Germany his movement would collapse and that Spain would rapidly be in the hands of the Communists and that Portugal would follow shortly thereafter.

Delbos said that he feared this was the truth and that he feared the Italians and Germans would regard the joint demands of France and England as in reality directed against Franco; and that they would refuse to commit themselves in any way.

1163. He finally said that he quite understood that the President should not wish to intervene in European affairs at this moment but that he hoped that when the President returned to Washington the middle of December he would make his great moral authority felt for the preservation of peace in Europe by some decisive intervention.

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<sup>17</sup> En route to Buenos Aires to attend the Inter-American Conference for the Maintenance of Peace.

He said that as the head of the great democracy which possesses the greatest material and financial resources in the world the President enjoys a unique prestige.

I replied that I was glad that he had mentioned the great material and financial resources; that we had learned by our unhappy experience after the armistice that the great moral authority which President Wilson had enjoyed had been based on the fact that the countries of Europe stood in desperate need of our soldiers, munitions, warships, and money; that in proportion as the need for these material aids had diminished so in proportion President Wilson's moral prestige had decreased. I felt that it was the duty of anyone who was a true friend of France as I was, to warn him not to base his foreign policy or any part of it on an expectation that the United States would ever again send troops or warships or floods of munitions and money to Europe.

He replied apparently with complete comprehension that he fully understood and concurred in this position; that he had meant nothing more than the assistance of the United States in the moral sphere.

I replied that there was in addition a line on which we could go forward and on which we were most eager to go forward; the line of removal of restrictions to international trade and other economic barriers and that we could also participate in a movement for general disarmament. We could not, however, under any circumstances guarantee anything in Europe.

1164. He replied that he quite understood that we must follow a policy of absolute neutrality but that he clung to the hope that our neutrality might be tempered by friendship for the democracies of France and England.

I answered that our friendship for France and England was no secret to any one and would continue to flourish but that it was the feeling of the entire American people as well as the President and all members of the Government that we should not jeopardize our neutrality by favoritism.

Delbos then said that he felt that on the return of the President to Washington it would be essential in the interests of peace to attempt to devise some working agreement between the French, British and American Governments. In order to sweeten the atmosphere somewhat he felt that it might be desirable, instead of sending the customary "ritual refusal" to pay the French debt to the United States, for France on this December 15 to reply by a note which stated that France desired to reopen the debt negotiations and had a full intention to reach a debt settlement. He asked me please to reply to him unofficially and personally what I thought of this idea.

I answered that the decision seemed to me to be one which concerned exclusively the French Government; that I should not care to advise

him with respect to a matter which would certainly raise great discussion within France. He pressed me however to give him my personal opinion and I said that while such a reply might tend to sweeten the atmosphere the effect of it would depend entirely on what the French Government had in mind. If it was simply an empty gesture which would cause every one in the world to start discussing again the French debt to the United States the effect might be bad. If on the other hand the French Government was determined to pay its debt the effect might be good. It depended entirely on what the French Government had in mind.

He replied that he himself had voted for the debt payment; that Blum and the Socialists were now in favor of the debt payment and that they both intended to attempt to reach a genuine debt settlement.

I derived the impression that it had been decided to make a statement in this sense on December 15. Delbos and I agreed that we should both deny that we had spoken of the debt question.

1165. Delbos then informed me that he believed the French Government in the very near future would follow United States authorities' example and transfer its Embassy from Madrid to Valencia.

In conclusion he said that he had just been having another controversy with the Soviet Government about their interference in the internal affairs of France. He said that he had instructed Coulondre<sup>18</sup> to state to Litvinov that the French Government must demand that the Soviet Government cease directing and "heating up" the French Communists. He said that the reply of Litvinov had been that the Soviet Government had nothing to do with the French Communist movement and the additional phrase "then you do [not?] wish the Soviet Government to begin giving decorations to the French Communists". He said that he had called in Potemkin, Soviet Ambassador in Paris, and said that the French were not altogether fools and that they had heard that there was a man named Stalin who had a certain influence in both the Soviet Government and the Comintern and that if the Soviet Government intended to maintain good relations with the French Government the present attacks on the French Government by the French Communists which were ordered and organized in Moscow must cease.

In spite of the fact that I talked very directly to Monsieur Delbos he was extremely cordial and throughout our conversation showed every evidence of desiring to cultivate most amicable and close relations between our two countries.

I venture to suggest that this is a good moment to press any matters in which we are especially interested.

**BULLITT**

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<sup>18</sup> Robert Coulondre, French Ambassador in the Soviet Union.

852.00/3913 : Telegram

*The Ambassador in Italy (Phillips) to the Acting Secretary of State*

ROME, November 28, 1936—1 p. m.

[Received November 28—9:25 a. m.]

496. From reports reaching the Embassy, including consular despatches, it appears that active recruiting is taking place in Italy to obtain trained men for General Franco's forces and that in some instances the recruiting officers are members of the Fascist militia. The Military Attaché has learned from two different sources, both believed to be reliable, that 10,000 Black Shirt militiamen are being selected to be sent from Italy to aid the Spanish insurgents. In addition he reports that approximately 400 machine gunners are being chosen for service in Spain to command machine-gun squads of the insurgent forces. It is further understood that a force of Alpine infantry probably in excess of one battalion is being selected to be held in readiness to go to Spain.

As far as can be ascertained these men are being recruited as individual volunteers and will be shipped to Spanish Morocco where they will be organized and equipped as members of the Spanish foreign legion. The Military Attaché further reports that about 2,000 have sailed to date.

No definite information is available as to the amount of supplies or materials which may have been shipped to aid General Franco.

PHILLIPS

852.00/3918 : Telegram

*The Consul at Seville (Bay) to the Acting Secretary of State*

SEVILLE, November 29, 1936—3 p. m.

[Received December 1—6:15 p. m.<sup>19</sup>]

15. Knickerbocker, Universal newspaper correspondent, arrived in Seville yesterday from Madrid front to rest. He is extremely pessimistic of Franco's position and states that troops are becoming spiritless. Madrid, he adds, could have been taken the first day but that Franco was misinformed and delayed entrance into the capital for artillery preparation. Knickerbocker is visibly worn and should be ordered away for a brief respite in order to prevent break-up.

With Knickerbocker came Captain Ronald Strunk said to be chief agent of Hitler in Spain. He confirms that Franco could have captured Madrid first day and states that owing to the present situation he informed Franco that he must accept German direction of the campaign else Germany would withdraw its material. Franco accepted. Accordingly, he added, 5000 Germans mostly aviation service

<sup>19</sup> Telegram in four sections.



have arrived in Seville, 2500 having been also landed in Vigo. There is a staff of 80 German officers already here. These troops he said would remain in Seville to prepare a base for Franco's forces, police the rear and assure communications with Morocco.

No troops will be sent into the fighting line for the time being. An advanced line, he said, will be prepared behind which Franco's army may fall and reform in case it is routed. From that line the Nationalists will be provided with equipment and supplies which hitherto have been dissipated or abused before reaching the front. One hundred planes will soon be ready according to the captain. These I understand are now being assembled in Seville.

Franco will then be expected to attack and to take Madrid. If he too fails Strunk says Germany will have to finish the job. He has recommended to Hitler that one division of troops will be sufficient for this purpose. These troops he states can reach Spain 5 days after being summoned.

BAY

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800.51W89 France/1058 : Telegram

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

WASHINGTON, November 30, 1936—7 p. m.

487. Your 1160, November 28, 1 p. m. I entirely approve of your restrained response to matters brought up in your interview as reported in the telegram referred to above and in my opinion these matters should be allowed to remain in abeyance until the President has returned to Washington.

MOORE

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800.51W89 France/1057 : Telegram

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

PARIS, December 1, 1936—8 p. m.

[Received December 1—4 p. m.]

1178. Continuing my 1177, December 1, 7 p. m.<sup>20</sup> We<sup>21</sup> then had a long discussion with respect to Spain and the general European situation. He states that he had received indications from England that the British Government would join the French Government in bringing pressure on the Italian, German and Soviet Governments to stop all support of the warring factions in Spain and propose mediation. He admitted that he had small hope of this proposal being accepted by either Germany or Italy.

<sup>20</sup> Vol. I, p. 587.

<sup>21</sup> Mr. Bullitt and Léon Blum, French Premier.

He said that he had just received this morning specific information that a large number of German soldiers and officers had embarked yesterday at Hamburg for Cadiz and Vigo to join Franco's armies. He said that he expected a descent in force on Barcelona by the Italians based on the Balearic Islands.

He finally returned to the question of our interest in peace in Europe and asked me if I did not believe the President could cooperate in the field of the reduction of economic barriers and the field of disarmament.

I replied that in my opinion the President could and would cooperate in both these fields; that he was deeply interested in the maintenance of peace in Europe and would do everything that he could within the limits set by the welfare of the people of the United States and by American public opinion.

In my personal letter to you of November 29<sup>22</sup> I have gone into this entire question more fully.

BULLITT

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852.00/3960 : Telegram

*The Consul General at Barcelona (Perkins) to the Acting Secretary of State*

BARCELONA, December 2, 1936—7 p. m.

[Received December 2—5:50 p. m.]

My November 9, 5 p. m. I am reliably informed that during the past few weeks there have been increasing quantities of munitions arriving from France largely by motor truck. Some thousands of foreign volunteers have also arrived: these are mostly French but consist also of Russians, Germans, Italians, Poles, Belgians, and other aliens of radical sympathies. Some of these groups have been observed by ourselves. I have little doubt that these volunteers have been a factor in prolonging the resistance to Madrid, and from this vantage point the struggle appears to be presenting a more international aspect than at any time hitherto.

The port of Barcelona is almost bare of shipping. Although evidence of an effective blockade is lacking, small Spanish craft are being seized along the coast and traffic is reduced through apprehension. Street lights of the city are being colored blue and places of refuge arranged against air raids.

PERKINS

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<sup>22</sup> Not found in Department files.

852.00/3977 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, December 3, 1936—6 p. m.  
[Received December 3—3 : 15 p. m.]

593. The following conversation with the Foreign Office may be of interest in connection with Paris Embassy's 1171, December 1, 1 p. m.<sup>23</sup>

Foreign Office believes the Spanish conflict may drag on for an extended period but considers Germany determined to secure success for the Franco forces in contrast to the Soviets who take a longer view and would be willing for want of [omission?] better to seek their ultimate ends through less obvious means than tests of military strength in the present conflict.

While no hope of any positive results of the Committee of Non-Intervention in connection with proposed supervision of the importation of war material into Spain by land and sea or limitation of foreign "volunteers" in Spanish forces, Foreign Office points out that all the nations represented thereon are really desirous of limiting the scope of the conflict to Spain. Foreign Office considers that in the fact that the Spanish Government is not represented on this Committee may be found the reason that the Spanish Government was desirous of the Council of the League of Nations meeting scheduled for December 10 in order that it might put its case before public attention. Mr. Eden is expected to attend this meeting and it will lie within the decision of the Council whether or not any representative of General Franco shall be present.

Foreign Office considers that the internal conflict of French opinion over the internal situation causes the French Government to be unduly apprehensive as to its dangers.

Copy to Paris.

BINGHAM

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852.00/3989 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, December 4, 1936—4 p. m.  
[Received December 4—1 : 20 p. m.]

595. I am informed that exchanges of views which have taken place recently through diplomatic channels resulted in Anglo-French agreement last evening, that the British and French Ambassadors in Rome, Berlin and Moscow should during this week-end approach those Gov-

<sup>23</sup> Not printed.

ernments asking their cooperation with the French and British Governments in an attempt to check the Civil War in Spain; this attempt to take the form of the representations by these five powers to both the Madrid Government and the insurgents. I do not understand that either the French or British Governments are hopeful that this *démarche* in Rome, Berlin and Moscow will be successful, but the British and French Governments are anxious for their own records that such an action should be taken especially before the meeting of the Council on December 10.

I learned from the French Embassy that the French Government is particularly apprehensive over the desire of the Spanish Government for the Council meeting in that the Spanish Government may attempt, supported by smaller governments and nations not directly concerned, to set up a League Committee in Geneva in connection with the Spanish situation. The Spanish Government anticipated that there would be no representative on such a League Committee either of Italy or Germany. Both France and England are anxious to avoid such a situation and do not wish the League Council to go farther than taking note of the Spanish Government's statement and at the same time reinforcing the position and authority of the London Committee upon which the great nations most concerned in the Spanish situation (except for Spain itself) are represented.

Copies to Paris, Bern and Geneva.

BINGHAM

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852.00/3993 : Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, December 4, 1936—6 p. m.  
[Received December 4—2: 52 p. m.]

359. The British Embassy here states confidentially that it has received a report from the British Consul at Seville that about 5,000 Germans passed through that city a few days ago on their way to join the Spanish Nationalist forces and that although they did not wear uniforms they were equipped with rifles and some artillery pieces. It is understood that prior to this or about the 20th last month a German anti-aircraft detachment consisting of some 700 men with equipment was landed in Cadiz. Most of the Germans despatched to Spain appear to have some connection with the German Army either as reserves or as regular soldiers who while technically on a leave status have "volunteered" for service abroad. They have apparently sailed from Stettin and it is said that a liner from the east Prussia service is being used as troop transport. It is believed that the actual

recruiting and organization is being undertaken possibly by a party political body rather than by the Army authorities themselves who however are being "accommodating" in furnishing facilities.

German official news sources do not deny that German nationals are fighting in Spain but maintain that none has been sent or are present there as regular German Army units. The same line was taken by the DDPK <sup>24</sup> yesterday which, recalling that last August Germany suggested an embargo being put upon foreign volunteers, complains against the hypocrisy of the same circles which defeated the German proposal in now being indignant "if Germans including such persons whose existence was destroyed when they withdrew from red Spain should voluntarily fall into line in the dam against the international red flood". The commentary stresses that the participation of volunteers does not infringe the non-interference agreement and official circles declare that Germany has no intention of leaving the Non-Interference Committee.

While it is recognized that a considerable proportion of the Germans fighting in Spain may consist of former residents there the despatch nevertheless of trained soldiers is causing concern in diplomatic circles here where it is thought that Germany is evidently as determined as Italy that Franco shall not fail and is probably choosing to lend assistance in the land fighting in order to avoid possible naval complications with Great Britain. Hitler's policy respecting the Spanish situation is causing apprehension in official German quarters including the Army and in all except possibly the most radical Nazi groups. Even here, however, we understand that the length of the siege of Madrid may have a salutary effect in discouraging the belief that a war can be won in a single swift blow without prolonged fighting.

Copies by mail to London, Paris, Rome.

Dodd

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852.00/3134

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] December 4, 1936.

The British Ambassador came this afternoon to see me to transmit a message to this Government from the British Government. This was to the effect that the British and French Governments have approached the Governments of Germany, Italy, Portugal and the Soviet Union with a view to (1) having those four nations join with

<sup>24</sup> Deutsche Diplomatisch-Politische Korrespondenz (organ of the German Foreign Office).

the British and French Governments in a renunciation forthwith of any action which might be likely to bring about intervention by a foreign nation in the Spanish conflict; (2) having those four nations join with them in a stronger and more effective prevention of the sending of supplies and equipment to Spain; (3) initiating steps with a view to having the six interested Governments join in an offer of mediation in an effort to terminate the conflict in Spain.

The British memorandum<sup>25</sup> further stated that it was the hope of the British and French Governments that our Government could make some possible statement of general sympathy with the proposed steps and suggested that in addition to such a statement it would be of great value if we could, through our representatives in the capitals of the four Governments to be approached, say a word in favor of those Governments participating in this mediatory effort.

The Ambassador went on to read to me the sense of a strictly confidential instruction which he had received at the same time as the text of his Government's memorandum in which his Government stated that while it was not expected that the United States would take any active participation in this proposal for mediation, they did attach great importance to some public statement in support thereof and to our conveying through our representatives in the capitals concerned an expression in favor of participation by those Governments in the mediatory effort. (The Ambassador stated that he was instructed that he should not, of course, urge the United States Government to do anything which it might consider embarrassing.)

I told the Ambassador that I would report his message immediately to the Acting Secretary the following morning as he had requested.

JAMES CLEMENT DUNN

[Annex]

*Representations by the British and French Governments to the Governments of Germany, U. S. S. R., Italy and Portugal*

1. The British and French Governments have exchanged views on the situation created for civilians in Spain and have arrived at the following conclusions.

2. In the interest of peace, of the preservation of European civilization and of humanity the Powers mainly concerned are bound to concert together with a view to saving Europe from the dangers involved in all forms of foreign political help in the internal struggle in Spain. To this end they must seek in common for further means of contributing more actively to the solution of the present crisis.

3. The two Governments note that the Governments of Germany,

<sup>25</sup> No memorandum such as described in this paragraph has been found in Department files.

Italy, Portugal and the U. S. S. R. have like themselves by their adhesion to the principle of non-intervention and by their participation in the work of the London Committee affirmed their intention of subordinating all other political considerations to that of the supreme interest of the maintenance of peace.

4. Impressed by the great importance of maintaining and continuing this attitude before the world the British and French Governments suggest that it is imperative that the other interested Governments should, with a view to the preservation of peace, join with them at once in declaring their absolute determination to renounce forthwith all direct or indirect action that might in any way be calculated to lead to foreign intervention in relation to the conflict in Spain.

5. The six Powers might also take this opportunity of announcing their intention of instructing their representatives on the London Committee to proceed at once to the consideration of immediate measures for legitimatizing an effective control of all war material destined for Spain.

6. In view of the considerations referred to in paragraph two above the two Governments further feel that a renewed effort should be made in the direction of relieving the troubled conditions prevailing in Spain.

7. To this end they are consequently moved to approach the other interested Governments with an invitation to join them in an endeavour to put an end to the armed conflict in Spain by means of an offer of mediation with the object of enabling that country to give united expression to its national will.

8. If this proposal is accepted in principle presumably the six Governments would consider in further consultation together the form which their mediatory action would take.

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852.00/4143

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] December 5, 1936.

The French Ambassador came in to see the Acting Secretary to deliver to him a message exactly similar in tone to that received from the British Ambassador yesterday evening relative to the joint approach by the British and French Governments to the Governments of Germany, Italy, Portugal and the Soviet Union with a view to stopping shipments of arms and equipment to Spain and proposing mediation to the opposing forces in that country.

The Acting Secretary informed the French Ambassador that he would give careful consideration to the suggestions received from the

British and French Governments and that he would take steps forthwith to communicate with the Secretary and the President with regard to this initiative.

Judge Moore, in discussing the suggestion that we might, through our representatives in the capitals of the countries concerned, urge those Governments to participate in the proposals put forward by the French and British Governments, suggested that there might be some hesitancy on the part of this Government in instructing our representatives abroad along these lines as some confusion might result from a different method of approach to the subject in the different capitals and that we might find it therefore inadvisable to act on this suggestion. He said that as far as the possible statement with regard to the Anglo-French initiative is concerned, he would give the most careful and sympathetic consideration to the issuing of such a statement but that he felt that in view of the Conference now progressing in Buenos Aires, the Secretary should be informed of this development in order that we might have the benefit of any advice he might wish to give in the matter in view of the atmosphere obtaining in the Conference and any bearing our action might have upon the position of our delegation there. He said that, of course, it would be necessary also to lay the matter before the President, who at that moment was at sea, having the day before departed from Montevideo on his return trip to the United States.

The Ambassador expressed himself as entirely satisfied with the Acting Secretary's reception of the proposals and asked if he might be permitted to inform his British colleague accordingly. Judge Moore said that he would be grateful if M. de Laboulaye would inform Sir Ronald of exactly what he had said with regard to the proposals as he had himself expected to inform the British Ambassador along these lines as soon as he had had an opportunity to receive the corresponding message from the British Ambassador which Sir Ronald had informed him would be forthcoming this morning.

J[AMES] C[LEMENT] D[UNN]

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852.00/4003 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

VALENCIA, December 5, 1936—2 p. m.

[Received 11:30 p. m.]

X-372. I called upon the Minister of State today to pay my respects before his departure for Geneva. Señor Alvarez del Vayo will leave



tomorrow but will spend 2 or 3 days enroute at Barcelona and probably Paris, reaching Geneva, Wednesday. He said that the position of the Spanish Government with regard to international relations was that set forth in the speech of the Prime Minister at opening of the Cortes December 1st, reported in my telegram No. X-365 [X-366], December 2, 5 p. m.<sup>26</sup> He declared that his Government did not intend to seek any foreign intervention at Geneva but would limit itself to presenting evidence of illegal and improper methods used by rebels in conduct of war. On this score he said that he was carrying with him a "formidable dossier". I asked him if this included anything with reference to the reported use of gas by rebels in Madrid recently and he replied that in that connection the delegation of British members of Parliament who have just completed a visit to Madrid are in possession of ample evidence. Amplifying this subject he stated that 10 persons were affected by gas shells fired into Madrid last Wednesday.

I am of the opinion that in addition to presenting evidence on this point the Minister of State will again refer to question of German and Italian intervention, probably emphasizing recent arrival of several thousand Germans to join rebel army. He referred to this subject in our conversation, saying "imagine what would happen if we were to torpedo one of the ships bringing these men". He added that the Spanish Government is acting with the utmost caution to avoid an international incident.

The Prime Minister will have charge of the Ministry of State during the Minister's absence. Señor del Vayo, referring to the congratulatory telegram which he sent to President Roosevelt on the occasion of his speech at Buenos Aires,<sup>27</sup> reiterated his high admiration for the President and requested that I furnish the Prime Minister with a copy of his speech. I agreed to do so with pleasure. Unfortunately radio bulletin containing text has not yet arrived from the Embassy at Paris.

WENDELIN

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852.00/4005: Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, December 5, 1936—5 p. m.

[Received December 5—3 p. m.]

360. Dieckhoff informed me confidentially this morning that the neutrality conference in London yesterday evening instructed the

<sup>26</sup> Not printed.

<sup>27</sup> December 1, 1936; for text, see *Report of the Delegation of the United States of America to the Inter-American Conference for the Maintenance of Peace, Buenos Aires, Argentina, December 1-23, 1936* (Washington, Government Printing Office, 1937), p. 77.

British and French Ambassadors to propose to Germany, Italy and Russia that no more volunteers and no more arms be sent to Spain. Dieckhoff said Neurath could not answer at once but he thought Germany would agree if the others did.

The second point the two Ambassadors presented was that the Neutrality Commission would press upon the Spanish some solution of the war problem and in case not agreed to, the struggle should be left entirely to the Spanish. The danger of war is so great that the Germans are seriously troubled. Dieckhoff revealed favorable personal attitude toward the proposals, but said the answer depends entirely on the Führer. He agreed that Mussolini's attitude is getting to be troublesome. I think the Foreign Office in general holds same view.

Incidentally I then asked what would Germany do if the Buenos Aires Conference asked for a general Peace Conference. He replied by saying he thought Hitler would also agree if Mussolini would participate, even to the extent of gradual reduction of armament. The conversation led to the belief on my part that Mussolini would not participate in a peace movement and that would cause Hitler to decline. Of course his statements in this regard may have been made without forethought on the matter.

Copies to London, Paris, Rome.

DODD

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852.00/4014 : Telegram

*The Ambassador in Italy (Phillips) to the Acting Secretary of State*

ROME, December 7, 1936—6 p. m.

[Received December 7—3:30 p. m.]

511. I have been informed in strictest confidence that the British and French Governments having become seriously alarmed over the Spanish situation have addressed a joint communication to the German, Italian, Soviet and Portuguese Governments urging them to take definite steps to put a stop to the shipment of arms and ammunitions to Spain. In the same communication the two Governments suggested mediation between the opposing forces. My informant continued that these proposals had been discussed with Ciano who had evidently not received them favorably and had raised a question as to how it would be possible to mediate or arbitrate in the present situation since the division of Spain between the Franco and Valencia forces could scarcely constitute a solution.

PHILLIPS

852.00/4141

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] December 7, 1936.

The French Ambassador telephoned this morning at nine o'clock to inquire whether any reply had been received from the Acting Secretary's reference to the Secretary of the Anglo-French proposal relative to mediation in the Spanish conflict. I informed him that no reply had been received up to this morning.

This evening at my house the British Ambassador in a personal message left with me the following memorandum which he had received from his Government:

"It appears that the French Government has already been approached by several Latin American Governments on the possibility of some form of mediation in the Spanish conflict, and holds that great advantage may be expected from any support of world opinion for the Anglo-French initiative. It therefore contemplates giving publicity to this initiative, perhaps in the very near future, and is proposing to notify the four Governments in this sense.

"It is thus evident that a statement by the President, as has been proposed, would be of the utmost value if issued immediately on publication of the Anglo-French action."

The Ambassador in his personal message called attention to the urgency of the message.

JAMES CLEMENT DUNN

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852.00/4020 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

ST. JEAN DE LUZ, December 8, 1936—1 p. m.

[Received December 8—10 a. m.]

178. John Whittaker, *Herald Tribune* war correspondent, and Miss Davis of *Chicago News* both with rebel forces since beginning, drove here from Burgos yesterday and called on me last night. They report that Vitoria is threatened seriously by strong well-equipped Government forces from Bilbao now within striking distance of city and that Franco, alarmed, has weakened his army before Madrid by sending Moorish reinforcements. The Loyalists clearly have retaken the towns between Bilbao and the present position.

They report that Salamanca resembles a German military camp, German officers predominating. From a German officer on Madrid

front Whittaker heard not for publication there is much irritation among German and Italian officers because Franco objects to the destruction of Madrid from the air.

BOWERS

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852.00/4024 : Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, December 8, 1936—5 p. m.  
[Received December 8—1:20 p. m.]

361. My 360, December 5, 5 p. m. The Foreign Office is now completing its reply to the suggestions of the Non-Intervention Committee.

In discussing the same the Foreign Office indicated today its strong desire to fall in with the Committee's ideas as it realized the gravity of the situation and the desirability of availing of this opportunity to clear up the Spanish affair with all its potential dangers.

According to the Foreign Office the principal preoccupation of the British is to end the Civil War in Spain and to this end to secure agreement among the powers concerned for some form of plebiscite in Spain permitting the people there to signify their choice of government, this to be made after an armistice in the civil strife and in connection with a sort of self-denying agreement by those powers from whom "volunteers" and munitions have been reaching Spain. The Foreign Office seems to feel that it is difficult to find any practicable method for the settlement of the Civil War in Spain in such simple fashion although as stated above sympathetic with the idea and with the general purpose of safeguarding the international aspects of the situation affording what may be the last chance to avoid serious international complications.

Cipher text mailed to Paris, London, Rome.

DODD

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852.00/4027 : Telegram

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

PARIS, December 8, 1936—5 p. m.  
[Received December 8—3:20 p. m.]

1213. Delbos said to me this evening that he had already received replies from the Soviet Union, Germany and Italy with regard to the joint *démarche* of the French and British Governments. He had not received a reply from Portugal. The French Embassy in Washington had informed him that you had received most favorably the proposal that our Government should associate itself with the French and British proposal.

He stated that Litvinov had expressed a lukewarm personal approval of the proposal but had said that he would have to consult his Government. The replies from Germany and Italy had not been flatly negative; indeed they had been more favorable than expected.

Delbos asked me what I thought our Government would do. I replied that inasmuch as the President was on the high seas and for other reasons as well it seemed to me unlikely that our Government would wish to associate itself with the *démarche*.

Delbos said that he proposed to announce to the press the entire proposal and the answers that he had received within 2 or 3 days. He already had Eden's acquiescence to this procedure.

I asked him if he felt there was the faintest chance that even if he received the acquiescence of all the powers to which he had addressed his proposal the fighting in Spain would stop.

He said that he would propose an immediate armistice and that he would then hope for the best.

With regard to the internal situation Delbos said that he felt the proposition of the Government had been strengthened rather than weakened by the attacks of the Communists. He made the surprising statement that Dimitrov, Secretary of the Third International, had visited Paris for 24 hours a few days ago and had participated personally in the preparation of the attacks of Thorez<sup>28</sup> and Duclos<sup>29</sup> on Blum.

I venture to doubt the accuracy of this statement.

BULLITT

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852.00/4026: Telegram

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

PARIS, December 8, 1936—8 p. m.  
[Received December 8—4:10 p. m.<sup>30</sup>]

1217. Officials at the Foreign Office are far from pleased at the thought of attending the Council meeting at Geneva on December 10 to consider the Spanish situation. They understand that Litvinoff is "furious" at the action of the Spanish Government in having brought about this meeting against his advice and that he will not attend. They also say that neither Eden nor Delbos will go to Geneva and that Vienot<sup>31</sup> will probably head the French delegation. The Foreign Office states that they have no idea how matters will develop at the Council meeting and that their one preoccupation will be to prevent anything taking place there which might give the Germans and the Italians an excuse for withdrawing from the London Non-Interven-

<sup>28</sup> Communist, French Deputy.

<sup>29</sup> Communist, Vice President of the French Chamber of Deputies.

<sup>30</sup> Telegram in two sections.

<sup>31</sup> Pierre Vienot, French Deputy and Under Secretary of State.

tion Committee. The Foreign Office looks on this Committee as a "brake", a brake which undoubtedly slips frequently but which nevertheless has the great merit of serving to keep the situation from plunging precipitately towards a catastrophe.

With regard to the joint *démarche* of the French and British Governments to the German, Italian, Russian and Portuguese Governments (see our No. 1213 December 8, 5 p. m.) the Foreign Office states that what it fears is that if the present state of affairs in Spain is allowed to drag on for some time the Italians will have become so entrenched in the Balearics and the Germans will have attained such a position in Morocco either actual or pledged as will create an impossible situation for France and Great Britain, a situation which must inevitably bring about a general conflict.

Copies to London, Rome, Berlin.

BULLITT

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852.00/4144

*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] December 9, 1936.

Upon receipt of the President's message in response to the message of the Acting Secretary of State to the President <sup>22</sup> informing him fully in the matter of the Anglo-French mediation proposal, I informed the British and French Ambassadors in pursuance of instructions of the Acting Secretary of State that it had been decided that no action would be taken by this Government with regard to the mediation proposals put forth by the French and British Governments until public announcement thereof were made; that upon the matter becoming public, the Acting Secretary of State would be prepared, in response to inquiries from the press, to give an expression of the hope of this Government for some solution to end the Spanish conflict. I informed the two Ambassadors furthermore that the President and the Secretary of State had been fully informed regarding this matter and that they are in accord with the action proposed to be taken by the Acting Secretary, which would therefore become the official expression of this Government.

Both Ambassadors asked me to express their appreciation to the Acting Secretary for having informed them of this decision.

JAMES CLEMENT DUNN

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<sup>22</sup> Neither printed.

852.00/4027 : Telegram

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

WASHINGTON, December 9, 1936—1 p. m.

512. Your 1213, December 8, 5 p. m. With regard to Delbos' statement that he had been informed by the French Embassy in Washington that I had received most favorably the proposal that our Government should associate itself with the French and British initiative, I have thought it advisable to speak to the French Ambassador here as I have never said more to him than that I would make every effort to see that this proposal received the full consideration of this Government including the Secretary, who is at Buenos Aires, and the President who is now at sea. The French Ambassador is in entire agreement with me that I never went farther than that in my expressions to him and is immediately telegraphing to the Minister of Foreign Affairs in order that there should be no misunderstanding with regard to our reception of the proposal here. We, of course, have given it sympathetic consideration and are anxious to do all we can but I can say quite definitely now that no action whatever will be taken in support of this proposal before it is publicly announced and upon that occasion I will make sympathetic general reference to the effort.

MOORE

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852.00/4041 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, December 9, 1936—7 p. m.

[Received December 9—3 : 22 p. m.]

600. After dinner at the Savoy Hotel last night the Foreign Secretary took occasion to tell me that he had been approached by the Argentine Ambassador who had communicated to him the desire of the Argentine Government to attempt mediation in Spain but that he, Eden, preferred to take no steps in this connection without first communicating this fact to Secretary Hull. He stated that the British and French Governments would issue a communiqué today urging the German, Italian and French [*Soviet*] Governments to agree, first, to a strict policy of non-intervention and, second, to mediation in Spain in view of the fact that the situation was proceeding perhaps inevitably to a European conflict. He informed me his Government had sounded out (see my 595 December 4, 4 p. m.) the German, Italian and Soviet Governments but had received no satisfaction from the German Gov-

ernment, slight encouragement from the Italian Government, and a reply from the Soviet Government that the Quai d'Orsay considered more hopeful than Eden personally did. In any event the British and French Governments felt it essential that this effort expressed a desire however slight the chances of success might be. He then expressed an opinion that the advent of German and Italian troops in Spain coupled with the arrival of Russian military and naval officers and sailors had convinced his Government and the French Government that a situation existed there which might extend to a general European conflict. He stated further that his Government's information which he felt was accurate convinced him that fully three-fourths of the Spanish people had had enough blood to satisfy them and would welcome an opportunity to end the struggle and although his Government believed that perhaps one-half of the population of Madrid itself sympathize with the insurgents, nevertheless, the insurgents' effort must collapse should German and Italian support be withdrawn.

He concluded by stating that everyone here looked with admiration on the successful efforts being made by the President and the Secretary of State to establish peace in the Americas and that he was sure this feeling was shared by all who sought peace throughout the world.

At his specific request I undertook to convey to you Eden's hope that subsequent to the issuing of the proposed communiqué referred to above the American Government might issue some general statement expressing a general blessing on efforts from any source designated to end the Civil War in Spain and the evils thereon attendant.

Although he did not inform me in detail, I understood from him he had instructed the British Ambassador in Washington likewise to present this matter to you.

Please read this cable in connection with my 601, December 9, 8 p. m.

BINGHAM

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852.00/4040 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, December 9, 1936—8 p. m.

[Received December 9—3:45 p. m.]

601. It will be noted that the view expressed by Eden reported in my 600 December 9, 7 p. m., is at variance with the views of the Assistant Secretary of State in charge of Spanish affairs and the French Embassy, as reported in my 593, December 3, 6 p. m., and 595,



December 4, 4 p. m., and also the views of Vansittart reported in my despatch 2697, December 4.<sup>33</sup>

I venture my personal opinion that in seeking any action by the American Government Eden confuses the fact that, while he suggests we should make a statement "blessing" any effort to end the Civil War in Spain, what he really wishes is support of the British and French thesis against interference in the Spanish situation by the Governments of Italy, Germany and Russia. While it may be true as Eden states that fully three-fourths of the Spanish people have had enough blood to satisfy them, I believe from the sources of information available to me that this applies to the inarticulate mass of the people and as the situation stands today I am not at all convinced that the leaders on either side in the Spanish struggle desire to arrest the Civil War until their particular side is victorious.

In my opinion therefore the French and British Governments are seeking a compromise solution of peace without victory in Spain primarily to ease the European situation. Consequently I am led to the conclusion that the United States Government should be very clear in its mind before it reaches any decision to make a public statement in regard to Spain, that it does not become by implication involved in the larger European issues inherent in the situation.

BINGHAM

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852.00/4043 : Telegram

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

PARIS, December 9, 1936—midnight.

[Received December 9—9:35 p. m.]

1223. The Argentine Ambassador, Le Breton, called on me this evening to say that he had received yesterday a telegram from Saavedra Lamas asking him his opinion of how an intervention in the Spanish conflict by the Buenos Aires Conference would be received in Europe.

He said that he had called on Delbos who had informed him for the first time with regard to the French-British *démarche* which was dealt with in my telegram 1213, December 8, 5 p. m. Le Breton added that Delbos had told him that the Soviet Government had now accepted definitely; that Italy and Germany seemed not too unfavorable; that Portugal had not replied.

Le Breton said that he personally would view with complete disfavor any attempt by his Government to intervene in Spain; that it

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<sup>33</sup> Despatch not printed; Vansittart confirmed the statements of the British Foreign Office respecting the Spanish situation transmitted in telegram No. 593, December 3, 6 p. m., from the Ambassador in the United Kingdom, p. 585.

would be easy to begin such intervention but difficult to end it. He did not believe that intervention at this time could be successful and would so advise his Government. He added that this judgment of his was in no way motivated by a partiality to one side or the other in the Spanish conflict. Whatever sympathy he might have had for either party had been completely eliminated by the brutality of both sides. He felt merely that it would be most unwise for the countries of the Western Hemisphere to take responsibilities in the Spanish imbroglio.

BULLITT

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852.00/4179

*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

No. 1240

ST. JEAN DE LUZ, December 10, 1936.  
[Received December 24.]

SIR: I have the honor to report that the civil war which was to have been finished in "four days—five at the utmost" is now in its fifth month and with no indication of an early end. In August I gave as my opinion, based on a three year study of Spanish political sentiment and Spanish character, that the great majority of the Spanish people were against the rebellion. That opinion, not shared by many of my colleagues, has, after almost five months, been completely vindicated by events.

I predicted in August the prolongation of the struggle, basing my opinion on the conviction that the Spanish masses, constituting 97 per cent of the people, would fight to the finish for the preservation of a governmental system which for the first time in centuries has done something for them. And so it is.

I also reported to the Department in August that were the rebels dependent entirely on Spaniards for their army they would suffer a speedy defeat. That has been clearly shown in the record. They have in their army thousands of the mercenaries of the Foreign Legion from Africa, thousands of the Moors, and as early as August and September they had hundreds of Italian and German army officers as aviators and tank operators.

In other words, the greater part, and the only very effective fighting part, of Franco's army has been composed of foreigners, not Spaniards.

Now it is a safe surmise that all the Spaniards in sympathy with the rebellion entered the armies of Franco and Mola very early in the war. This means that the rebels have no reservoir of Spanish man power on which to draw. And this means that Franco cannot possibly win without open military support on a large scale from Hitler and Mussolini.

The trained Moorish troops brought over and put always in the front of the fighting have suffered dreadful losses, and a war correspondent with the rebel army continuously from the beginning and just back from the front for a few days, tells me that fully fifty per cent of these have been killed. I understand that it is impossible to draw further on the trained Moorish troops in Africa. The fact that the Moors brought over recently are untrained and are the Riffs, the wild men from the hinterland, bears out this supposition. Their use in the war cannot but increase the savagery of the fight. But it remains to be seen if these tribesmen, untrained in the methods of civilized warfare, can be used as effectively in battle as the professional Moorish soldiers.

I have heard from war correspondents from the front and with the rebel army that the Moors are resenting the policy of making them bear the brunt of the battle, resulting in appalling losses. From Gibraltar comes the report this week that fifty Moors have deserted from the army in that section within the week.

I have sketched the situation affecting Franco's army because it offers a plausible explanation for the throwing off of all pretence of a disguise by Germany and Italy.

It is now clear, undenied, that five thousand German soldiers, not "volunteers" but soldiers, have been disembarked at Cadiz from an Italian ship, and these are now actually on the Madrid front. This flagrant and defiant violation of the Nonintervention Pact was so brazen that Eden was compelled this week to admit to the House of Commons that these German soldiers have arrived. I believe he called them "volunteers" but the Department can form its own conclusion whether five thousand German army men could go to Spain on their own volition and without being ordered there by the German Government.

John Whittaker, war correspondent, and Miss Davis of the *Chicago News*, who were in Salamanca Sunday and who called on me Monday evening, agree that in Salamanca it was scarcely possible to see a Spanish soldier or officer, because lost in the crowd of Germans. They saw great numbers of young soldiers, all blonde, with Germanic features, walking about the streets with the "goose-step" fairly screaming for recognition. I have absolute confidence in Whittaker's reports since he has been with Franco's or Mola's armies from the beginning and is a partisan of the rebels. He tells me that on the Madrid front, after a particularly disastrous day for the rebels, he had dinner with a German officer who admitted himself depressed and said that he was going on to Seville that night to send word to Berlin that unless strong German reinforcements were sent speedily, the rebels' cause was lost. These five thousand German soldiers came within ten days.

Since the arrival of the five thousand German soldiers, an Italian ship has disembarked in Spain two thousand five hundred Italian soldiers.

These, like the Germans, as the Department knows better than I, could not have come had they not been actually sent by the Italian Government.

The natural and inevitable culmination of this policy on the part of Germany and Italy now appears. *La Petite Gironde* of Bordeaux, under a Paris date line, signed G. R. T., states that a report from Turin on December 4th says that preparations are under way in Italy to send an army of 60,000 Italian soldiers to reenforce Franco's failing forces. It is announced that Mussolini has conferred with six Generals, including Generals Montagna and Brandimarte, the latter of whom left for Spain on December 2nd. The first contingent of these, composed of 2,700, is said to be prepared for early departure to Majorca and is to be the "shock troops" which will attempt a landing in Catalonia on January 2nd. This may be confused with the 2,500 Italian soldiers who recently landed in the south of Spain.

In this connection, the Government in Valencia learns that an expeditionary force, which has been assembled in Majorca, will attempt a landing on the Spanish coast, convoyed by German and Italian ships and air fleets.

This at any other time in the world's history would mean a European war.

Meanwhile the Government in Moscow has accepted the proposal of England and France, but nothing has been heard from Germany, Italy or Portugal.

## II

Augmenting the Government forces are many actual volunteers whose Governments have nothing whatever to do with their presence here. While impossible to get accurate information on the number of these, the highest estimate I have heard is at 3,000. These are Frenchmen who have crossed the border in small groups and enlisted, Italians who have been exiled from Italy by Fascism, Germans who have been driven from Germany by Hitler, Belgians, some British and a very few Americans. These are actual volunteers. They are actuated by different motives. Among them are communists, liberals, democrats, and many are young men seeking adventure or moved by youth's generous sympathy for the peasantry of Spain. Quite a good proportion of these have seen service in the World War, others have been trained as soldiers in the armies of their countries.

These are put into the International Brigade, top-notch fighters, who hold the front line in Madrid. There is one division composed entirely of Italian anti-Fascists who call themselves the Division of Garibaldi.

## III

This accounts for all the foreigners fighting in Spain, with the exception of the Russians who require special treatment, because of the extravagant and absurd exaggeration of their numerical strength. The utter absence of any semblance of neutrality and the complete loss of judgment, even on the part of some of my colleagues, are illustrated in the fact that my British colleague solemnly assured me this week that there are no Spaniards in the defending army at Madrid. Since there are in the neighborhood of 30,000 or more soldiers defending Madrid his assertion that all are Russians answers itself. If with every facility it was impossible to slip in 5,000 Germans, it would be ridiculous to assume that the Russians have brought over 30,000 without any one knowing where they entered or how.

No doubt there are Russians fighting in the ranks of the loyalist armies, but an intensive questioning of a dozen war correspondents with the two armies for four months has failed to bring forth an opinion from any one of them that there have been many Russians. Sometime ago there is no doubt that some Russian officers, and one of high rank, went to Madrid and are now associated with the Government army. Some of these are employed in drilling and training raw recruits, some are actually in charge of companies in the field, and some Russian officers of high rank appear to be serving as advisers and strategists.

Now that Russian war material is coming in as rapidly as German and Italian, and now that the Italian and German Governments have thrown off all disguise and have sent thousands of soldiers, it will astonish me if Russia does not follow suit if it is at all practical. But when they come, if they come in large numbers, it would be impossible for them to come all the way from Russia without all the world knowing it.

## IV

Thus Spain may become the mere battlefield for a European conflict. The purported plan of England and France to propose an armistice and a plebiscite to determine whether the Spanish people wish to retain the Government overwhelmingly elected last February, or prefer to accept a Fascist or military dictatorship, seems impracticable considering the conditions here. I am thoroughly convinced that an honest election, with every man and woman voting an individual preference, would result precisely as before, if indeed there would not be an increased Left majority. But under existing conditions such an election would now be utterly impossible.

Who would supervise and run it? The League of Nations? The League which has been respected by Spain, perhaps more than by any other European country, has completely lost the confidence or respect

of the Government here. It has failed to enforce those articles of the Covenant on which the Spanish Government feels it had a right to rely. Every move of the Non-Intervention Committee has been to serve the rebel cause. I am informed by a close friend of Del Vayo, Minister of State, that he has only contempt for the League, knows that nothing can be expected from it, and only appeals to it because it offers an opportunity to put the Government's position before the world.

I am quite sure that the Franco-British plan would be rejected by the Government unless every foreign soldier be removed and the supervision of the election be left entirely with the Spanish people acting through their constitutionally elected officials. In view of the fact that they but recently had an election supervised entirely by the Rights, the Government probably would refuse a demand from other nations that they have another now.

## VI

Thus the wisdom of the Department in taking a position of absolute neutrality and non-interference in this wretched war was never clearer. We were wise in not participating in the various non-neutral schemes sponsored by the Diplomatic Corps here which for the most part has acted on the theory from the beginning that it is accredited to Franco. In every instance of an attempt at interference, from which we held aloof, the Corps not only failed but with a humiliating but not undeserved rebuke. There have been no meetings of the Corps now for weeks.

We have concentrated entirely on the protection of Americans. We have thus far retained the respect and confidence of the Government, and we have done absolutely nothing to justify the slightest complaint from the rebels. We have done so by attending strictly to our own business.

Efforts have been made repeatedly to draw us into some concerted action. I find indications of another attempt intended today. In Bilbao two consuls, or acting consuls, were caught red-handed sending military information under the protection of their office to the rebel headquarters at Salamanca. These men were spies and were shot. As a result I suspect that every consulate in Bilbao is looked upon as an active or potential enemy. It appears that some restrictions on the rights of the consulates have been imposed. The Consul of Poland, a Spanish lawyer of Bilbao, saw me today. A moment's conversation revealed that he is an enemy of the Government. He tried to persuade me that in a civil war there is no such thing as a spy and that the Government had no right to take action against the Austrian, who was

sending descriptions of the military defences of the city of Salamanca, and who was a spy in the World War.

The Spanish-Pole Consul evidently came to try to get us to join in protests to the Government in Bilbao against restrictions imposed. He was going to see the Argentine Ambassador, as Dean of the Corps, apparently to ask him to take action in behalf of the Corps or to call a meeting for the purpose. Unless instructed by the Department to the contrary, I shall not attend any such meeting or join in any such representations. Abnormal conditions affecting the consular corps in Bilbao have been created by the outrageous conduct of at least two of the Consuls. We are not opening our Consulate there, and when Consul Chapman makes his periodic visits his activities will be strictly confined to looking after the interests of Americans, and beyond that absolutely nothing.

Respectfully yours,

CLAUDE G. BOWERS

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852.00/4051 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

VALENCIA, December 10, 1936—5 p. m.

[Received December 11—12:20 a. m.]

X-384. Information from Government source accepted as reliable is that rebel expeditionary force in Majorca is preparing to effect landing somewhere on Mediterranean coast. Force is composed of foreigners chiefly and will be convoyed by German and Italian ships and air fleet. Spanish Government has been stirred to make hurried preparations for defense of the coast line near Valencia. Defense plans placed in charge of Russian General whom Military Attaché met yesterday and who is employing international column troops rushed here from reserves at Albincete [*Albacete?*] to occupy positions of readiness at key points for easy and immediate despatch to selected beach line fronts now being prepared for defense. Coastal observation stations with motor boats armed with machine guns patrolling adjacent waters have been established and command and communication system organized with control in Valencia where Russian commander and mixed Spanish and Russian general staff are located.

The Government expects this operation at any time and estimates that it is to be a coastal raid or attack to gain beach head positions from which to initiate land operations. It believes, furthermore, that it is consulting with the Madrid situation to relieve pressure upon rebel failure on that front.

Regardless of accuracy of above information the Spanish Government believes it and is making feverish efforts to counteract it.

WENDELIN

852.00/4062a : Telegram

*The Acting Secretary of State to the Ambassador in France  
(Bullitt)*<sup>34</sup>

WASHINGTON, December 10, 1936—6 p. m.

517. I have issued the following statement to the press today :

"It is announced by the Governments of Great Britain and France that they have invited the Governments of Germany, Italy, Russia and Portugal to join them in a mediation offer to end the Spanish Civil War. It is the very earnest hope of our Government that the six nations mentioned may find a peaceful method of accomplishing the great purpose in view. This expression represents no deviation from our well-known policy of non-interference in the affairs of other countries. It simply voices, as I am certain, the deep distress of the American people that Spain should be involved in a bitter conflict marked by heavy loss of life and indescribable suffering. The conflict affords fresh and inescapable evidence that in these days the perils of war are not confined to the actual combatants, bad as that is, but extend to the entire population within reach of the deadly instruments now employed,—to helpless men, women and children—and that no limit can be set to its devastating effects. Human intellect, which has shown its capacity to dreadfully increase beyond what was once dreamed possible, the horrors and wreckage of war, should surely be able to devise expedients to bring about cessation of the present struggle and, as time goes on, turn all nations away from war as an utterly senseless and ruinous means of settling domestic and international controversies.

I may say that I have kept the President and Secretary Hull fully informed concerning this matter and that they are in full accord with this statement."

Replying to correspondents' questions, I inform them that the reason for the statement at this time was the public notice in the press that effort was being made by European countries to mediate in the Spanish conflict.

In this connection, I am deeply concerned over the procedure followed by the French Foreign Office in releasing to the press, often in a distorted form, information received from their representatives here. We are anxious to carry on a frank interchange of views with the French Embassy and feel that they are entitled to our ideas on matters they bring before us, but unless I feel that our views as confidentially expressed are to be so treated by the French Government, it

<sup>34</sup> Sent also to the Embassy at London as telegram No. 442, with the exception of the last paragraph.



will not be possible for me to go as far in discussing matters as I would like to. I am disturbed by this situation and, if you deem it advisable, you may so inform Delbos. You recall the manner in which the press dealt with your talk on its debt.<sup>35</sup>

MOORE

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852.00/4053 : Telegram

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

PARIS, December 10, 1936—7 p. m.  
[Received December 10—4: 13 p. m.]

1229. Your 512, December 9, 1 p. m. Delbos sent for me this afternoon and said that he wished to explain to me precisely what the French Government hoped the American Government might do with respect to the French proposal of mediation. He said that he had had no idea that we could actively participate in this matter but that he hoped the President or in the absence of the President, yourself, might be able to make a declaration saying that in the interest of humanity we applauded the proposal made, the acceptance of which might produce not only peace in Spain but also tend to prevent European conflagration.

BULLITT

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852.00/4054 : Telegram

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

GENEVA, December 10, 1936—7 p. m.  
[Received December 10—3: 10 p. m.]

506. (1) At a private meeting of the Council this afternoon, the Spanish civil conflict and the Franco-Turkish affair<sup>36</sup> were placed on the agenda, the former to be considered tomorrow morning and the latter probably on December 14.

Only Spain and Sweden are represented by their Foreign Ministers, which in respect of the Spanish question is regarded as obviously evidencing the desire of the Council states to be involved as little as possible and in particular to be in the position more easily to evade making commitments.

(2) In association with the virtually expressed desire of London and Paris to limit League action in this affair, note is taken here of the Anglo-French joint *démarche* of December 4 to Berlin, Rome, Lis-

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<sup>35</sup> See vol. I, pp. 586-588.

<sup>36</sup> Franco-Turkish dispute over the Sanjaq of Alexandretta.

bon and Moscow soliciting non-intervention in Spain and suggesting an offer of mediation between the parties to the conflict. In certain League circles this action is resented both as prejudicing in advance the action of the Council and as tantamount to a public disregard by the two chief League powers of the international status and purpose of the League and as an assertion of its impotence, which are regarded as prejudicial to its future. The press stresses accounts to the effect that the Anglo-French *démarche* was officially communicated to Washington.

GILBERT

852.00/4105: Telegram (part air)

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

GENEVA, December 12, 1936—4 p. m.  
[Received December 15—6:50 a. m.]

513. 1. The Council this afternoon unanimously adopted a resolution in the Spanish affair embodying chief points:

(1) International good understanding should be maintained irrespective of the internal regimes of states.

(2) A duty is incumbent on League states to respect the territorial integrity and independence of other states.

(3) Urges that the effectiveness of the Non-Intervention Committee be enhanced.

(4) Views with sympathy the Franco-British *démarche*.

(5) Asserts the desirability of humanitarian efforts.

(6) Offers the League's technical services for eventual reconstruction.

2. This resolution was the result of negotiations between Council members lasting throughout the day in which the representatives of Great Britain, France, Spain and Chile played the leading role. I learned from participants the following respecting points enumerated above, reference being made to the full text of the resolution which is being carried in the American press:

(a) This was at the instance of the British with privately admitted preoccupations respecting the recent German-Japanese arrangements.

(b) The language employed while a paraphrase of article X of the Covenant omits at the insistence of Chile direct reference to that article. Latin Americans who are aware of this Chilean position, while unable to explain its reasons, stress its possible significance.

(c) The whole tenor of this provision is a stressing of the desirability of effective non-intervention undertakings, the Spanish representative not objecting to non-intervention efforts should they be

really effective and privately admitting that such would be of military value to the Spanish Government.

(*d*) The word "mediation" does not appear in this provision, Spain objecting to its use as implying political and military weakness.

(*e*) The Chilean representative urged that the resolution include entrusting the Red Cross with the protection and evacuation of individuals who have sought asylum in the diplomatic missions at Madrid. The British and other European Council members objected to this as contrary to their principle and practice respecting the right of asylum. The Spanish representative objected on the ground that there "are missions and missions and refugees and refugees." Latin Americans here tell me privately that Del Vayo could not accept the Red Cross being given authority in any humanitarian efforts due to the differences between himself and the Red Cross which arose when he represented that organization among the White Russians in 1920 and 21 . . .

3. The Spanish representative in accepting the resolution stated that the Council had not exhausted the issue which he had raised and that consequently he reserves the right to call upon the Council later to resume its efforts.

4. Edwards, speaking for Chile, voiced his contentions described under (*e*) above and was supported by the Bolivian representative who cited the Montevideo and Habana agreements.

Del Vayo responded by stating that he would be willing to discuss this matter individually with the interested governments.

5. Edwards, in the name of the President of Chile, endorsed the Franco-British *démarches*.

6. The general view here is that the Spaniards gained all they had expected by procuring a public general reaffirmation of the legitimacy of their Government and thus obtained an "answer" to Germany and Italy (Consulate's 490, December 3, 4 p. m., paragraph 2<sup>37</sup>). The participation and action of Chile and Bolivia are likewise regarded as an answer to the rumors of a widespread tendency among Latin American states to recognize Franco.

The Latin American representatives here, however, display marked antipathy to the Madrid Government. They assert that the reason why Del Vayo opposed the evacuation of the refugees in the Madrid diplomatic missions is that they are being held as hostages to prevent the recognition of Franco by the governments concerned.

7. The British representative stated to me that he believed that the provision in the resolution respecting non-intervention would at least

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\* Not printed.

to some degree result in Germany and Italy being more wary in giving aid to Franco or in any event that they would do so less openly.

GILBERT

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852.00/4076 : Telegram

*The Ambassador in Italy (Phillips) to the Acting Secretary of State*

ROME, December 13, 1936—noon.

[Received December 13—9:55 a. m.]

524. It is officially announced this morning that the reply of the Italian Government to the British and French proposals regarding non-intervention in Spanish affairs and mediation between the two parties was handed to the representatives of the two Governments in Rome last night. The official communiqué further continues that the Government of the Reich replied simultaneously and that the Italian and German answers are of analogous content.

I learn from the British Embassy that the general tone of the Italian reply is favorable. It states that, insofar as the proposal of the two Governments for a new formal declaration of non-intervention in Spanish affairs and reenforcement of the measures taken for this purpose by the London Committee is concerned, Italy is disposed if all the other states agree to examine in the London Committee all such measures as may appear most suited to insuring complete application and control of non-intervention provided these are contemporaneously accepted in their entirety. Italy recalls, however, its insistence from the beginning that all measures to be effective must be universally applied.

The idea of mediatory action is also received favorably but the Italian Government raises the question whether the carrying out of a plebiscite in Spain is practical. It points out that the will of the Spanish people has already been sufficiently expressed in favor of the National Government. Reconciliation of the two parties in conflict also appears to Italy to be singularly difficult on account of the anarchistic tendency predominating among the adversaries of the National Government and by reason of their acts of cruelty. Nevertheless, the Italian Government states that it is disposed to examine "in a spirit of friendly collaboration such proposals as the other Governments may feel able to formulate and to participate in their eventual realizations".

I understand that both the Italian and German replies will probably be published tomorrow.

PHILLIPS

852.00/4098 : Telegram

*The Consul at Gibraltar (Williams) to the Acting Secretary of State*

GIBRALTAR, December 14, 1936—11 a. m.

[Received 4:22 p. m.]

Following from Bay.

"December 11, 3 p. m. 16. Referring to my telegram number 15, November 29, 3 afternoon, Captain Strunk arrived Seville yesterday from Madrid front. He states that despite severe losses Franco's forces will hold all territory occupied and will conquer more. Most of the Germans in Seville, however, have been moved to Madrid to stiffen the line and with other reinforcements the capture of Madrid before Christmas is being planned. Without German men and material he states Franco's forces would collapse and the successful conclusion of the struggle depends on German and Italian support. He sees no composition of the struggle which he says has developed beyond a Civil War and involves issues with Russian Communism which is not defeated here will entail greater bloodshed in other parts of Europe. He is flying to Rome today to give first hand information about Spain to Mussolini and then to Berlin for reporting directly to Hitler. He is recommending to the latter the despatch of more material especially planes and more men.

From a political viewpoint Strunk feels that Azaña desired neither Communism nor an influential church, a policy which he thought superior to Franco's so-called Savior army which presages the return more or less of the old order with landowners and a strong church as well as the possibility of future conflict between Monarchists and Fascists. The salvation of Spain he thought depended on a leader with sufficient support to eliminate Communism and the political influence of the clergy as well as to require Spanish aristocracy to bear a much larger share of the burden. As neither of the contending parties to the present struggle are capable of attaining these ends it is his opinion that Germany offers the only solution.

The unexpected prolongation of the struggle, the severe losses suffered by Franco's best troops which is competent to defeat any Spanish resistance and the possibilities of conflict between Monarchist and Fascist organizations has in my opinion weakened Franco's position vis-à-vis aristocracy, church, and foreign influence."

WILLIAMS

852.00/4096 : Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, December 14, 1936—6 p. m.

[Received December 14—1:35 p. m.]

369. My 368, December 14, 3 p. m.,<sup>38</sup> and 361, December 8, 5 p. m. The following confidential statement was made to our Military Attaché this morning by the official representative of the German Ministry of War.

1. We consider the European crisis which arose as a result of the Spanish Civil War as definitely past.

2. We do not desire to increase our commitments in Spain. It is our information that both the Soviet and the French Governments similarly desire no increase in their commitments.

3. The Italian commitment in Spain is at present much greater than the German.

4. We have no formal troop units at the present time in Spain.

5. A certain number of Germans are serving the Franco government as volunteers.

6. We have used the Spanish Civil War to a certain degree for a war test of our new material.

7. The War Ministry feels assured of an eventual victory by Franco although there will be for the near future a pause in operations which will be utilized by Franco to develop the full manpower at his disposal.

Please repeat to War Department at the request of Military Attaché.

DODD

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852.00/4097 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, December 14, 1936—6 p. m.

[Received December 14—2:08 p. m.]

610. Department's 442, December 10, 6 p. m.<sup>39</sup> I understand the press carries the substance of the four Governments' replies to the Franco-British *démarche*. Foreign Office points out all these replies support the work of the London Non-Intervention Committee but that Germany, Italy and Portugal offer no support for the principle of mediation, the German Government in particular pointing out it has already recognized the Franco regime.

London Non-Intervention Committee has already consulted both sides in Spain as to more extended control of importation of arms but as yet has received no reply.

<sup>38</sup> Not printed.

<sup>39</sup> See footnote 34, p. 606.

British and French Governments are conferring as to further possible steps which might lead to successful mediation.

BINGHAM

852.00/4108

*Memorandum by the Acting Secretary of State*

[WASHINGTON,] December 14, 1936.

When the British Ambassador called this afternoon, he said he had come in to thank me for the statement with reference to the effort of his Government and the French Government to bring to an end the Spanish Civil War by mediation. He thought it very helpful.

He said he had heard in the last two or three weeks that the President might call an international conference, and ventured to suggest that this should not be done without taking the matter up in advance with his Government, so as to furnish some idea of the subjects to be discussed, etc. I told him that while I know nothing whatever of the President's attitude, I thought it might be assumed that he would never bring about a conference without ascertaining the views of other nations, so as to know what if any questions might properly be considered.

He indicated, as he has more than once before done, his deep regret that there should be an unsettled indebtedness of his Government to the Government of the United States.

There was of course some, but not important or significant, allusion to what brought about the advent of a new King in England. But likewise as to this there was nothing said that deserves repetition.

R. W[ALTON] M[OORE]

741.65/303

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

No. 2725

LONDON, December 18, 1936.

[Received December 29.]

SIR: I have the honor to quote below from Hansard a question and the Foreign Secretary's reply in the House of Commons on December 16, regarding the terms of the Italian guarantee relative to the Balearic Islands:

"MR. NOEL-BAKER asked the Secretary of State for Foreign Affairs whether he will lay upon the Table of the House the precise terms of the guarantee given to His Majesty's Government by the Government of Italy concerning the occupation of the Balearic Islands by Italian subjects?"

“Mr. EDEN: The assurances to which the Hon. Member refers were made verbally, and I am consequently not able to lay papers before the House. I can, however, give the following outline of the manner in which the assurances were given. His Majesty’s Chargé d’Affaires in Rome informed the Italian Minister for Foreign Affairs on 12th September, on my instructions, that ‘any alteration of the *status quo* in Western Mediterranean would be a matter of the closest concern to His Majesty’s Government.’ In taking note of this communication, Count Ciano assured Mr. Ingram that the Italian Government had not, either before or since the revolution in Spain, engaged in any negotiations with General Franco whereby the *status quo* in the Western Mediterranean would be altered, nor would they engage in any such negotiations in the future. This assurance was subsequently reaffirmed spontaneously to the British Naval Attaché in Rome by the Italian Ministry of Marine, and the Italian Ambassador in London has on several occasions given me similar verbal assurances.”

In a conversation at the Foreign Office on the following day, the Embassy was informed that Mr. Eden’s above quoted statement was made in order to remind the Italian Government of the undertakings which they had given to the British Government last September, both in Rome and in London, in view of the activities of certain Fascisti in the Balearic Islands.

As regards the conversations between Ambassador Drummond and Count Ciano with the object of securing a new Anglo-Italian accord in the Mediterranean, the Foreign Office gave the following background: They said that these conversations were begun on the initiative of the Italian Government. Italy was desirous of balancing her position and therefore wanted to show Herr Hitler that they could reach a political agreement with Great Britain. It was clear that the Foreign Office felt more was to be obtained by permitting these negotiations to be protracted than to proceed to immediate understandings.

With reference to the contemplated Anglo-Italian accord, the Foreign Office said that it would be very general in nature and recognize that British and Italian interests in the Mediterranean do not conflict.

Respectfully yours,

For the Ambassador:  
RAY ATHERTON  
*Counselor of Embassy*

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852.00/4185: Telegram

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

PARIS, December 24, 1936—8 p. m.  
[Received 8:30 p. m.]

1294. We are told by a friend who saw Delbos today that the latter denied the stories printed in some papers to the effect that in his talk



yesterday with the German Ambassador he had "warned" Germany against further intervention in Spain. In conversation with the Foreign Office this afternoon the denial was repeated upon receipt of further information and we were also told that there was "a good deal of exaggeration" in the London *Times* stories (widely reproduced here) to the effect that the French Government had advised the German Government that if the latter's assistance to Franco increased perceptibly France will abandon the non-intervention policy.

The Foreign Office says that Delbos, in his talk with the German Ambassador yesterday, made an appeal "strong but calm" for German support for the efforts being made in the London Committee to render non-intervention really effective. Delbos pointed out that if there were to be strict control, of course, the sending of volunteers, and indeed, complete units to Spain would have to end. But there was no mention made, according to our informant, of France abandoning non-intervention and there is no consideration being given by the French Government to such a change of policy.

Whatever may have been said or not said to the German Ambassador it is our distinct impression that the attitude of the French Government towards German intervention in Spain has stiffened recently. The main reason for this is probably the success which the British seem to have achieved in winning the Italians away from the Spanish adventure. We were reliably told today that Rossi left the Balearic Islands yesterday and that Italian aviators and technical men are leaving Spain, also the French Foreign Office has reports that the food shortage in Germany is actually acute. It is our impression that the French probably feel that this is therefore the right moment to make a strong effort to get the Germans to abandon certain of their more alarming policies in return for economic cooperation.

As regards efforts to institute strict control over non-intervention in Spain the Foreign Office states that France is ready to adopt measures to put a complete stop to volunteers going to Spain, that Russia is "100 percent" in favor of such a move and that the Italians, thanks to the British, will probably fall in line.

Copies by mail to London, Rome, Berlin.

BULLITT

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852.00/4203 : Telegram

*The Ambassador in the United Kingdom (Bingham) to the Acting Secretary of State*

LONDON, December 28, 1936—6 p. m.

[Received 6 : 27 p. m.]

628. Foreign Office referred in conversation today to the subject of the last paragraph of my 610 of December 14, 6 p. m. and gave its

opinion that the only hope of successful mediation in Spain lay in producing a condition of stalemate between the opposing forces which if permitted to continue might well result in the Spaniards themselves demanding expulsion of foreigners and acceptance of an offer of mediation.

Hitler's prestige since last spring, the Foreign Office continued, had considerably decreased; Europe had not "fallen for" the Bolshevik menace; the German-Japanese alliance had gained them little; Hitler's backing of Franco had been so far inconclusive; the friendship between Mussolini and Hitler was on the wane and the failure of the 4-year plan was producing such a bad economic situation in Germany today that an attempt to gain some outside success by Hitler seemed almost indicated. Consequently with the deadlock of the efforts of the Non-Intervention Committee last week the French and British Governments decided to act urgently and instructed their Ambassadors on the day before Christmas, in Berlin and other interested capitals, to invite the attention of the German and other Governments concerned to the urgent need for measures to prevent the despatch of volunteers to Spain. It was realized Hitler was in Bavaria and Neurath was absent from Berlin but I understand, nevertheless, it was pointed out to the German Foreign Office that neither side in Spain could hope to win a decisive victory without such reinforcement by foreign volunteers as would tend to threaten the peace of Europe. The Foreign Office understands Hitler has this Spanish question under consultation and review at the moment. The Foreign Office pointed out to me that Italy was already shifting her active support of Franco by withdrawals and the Soviets did not seem anxious to push their position in Spain (see paragraph 2 of my 593, December 3, 6 p. m.).

In summing up the loss of German prestige since last spring, as outlined above, the Foreign Office added:

1. That France had been 50 years behind the rest of the world in social services and in the past year had gone through a social revolution which, even though achieved without bloodshed, had lowered her world prestige.

2. The Soviets had apparently gotten away with their Spanish policy both at Geneva and before world opinion. Furthermore, the German drive against a Bolshevik menace had not succeeded nor had the German-Japanese alliance proven the threat the Soviets at one time had feared.

3. Indeed, the Foreign Office stated bluntly that England strengthened her position more than any other country in Europe in the past year. She had successfully "muddled through" the Abyssinian crisis but realized such a situation must never happen again and was re-arming accordingly. England was on the verge of concluding an agreement with Italy as regards the Mediterranean. The recent "constitutional crisis" had proved Empire unity to the world. England,

with France, had maintained the "non-intervention policy" in Spain and the negotiations for a new Locarno which at one time it seemed Germany might render impossible was apparently being reconsidered by Hitler. The economic position of England had improved in contrast to dictatorships such as Germany, Italy and Japan and the great democracy of England had been able to join in a stabilization agreement with the other great democracy, the United States, in which France had been included. Furthermore, the reaction in the Far East, even in Japan itself, to the German-Japanese treaty had not been unfavorable to England's position there and indeed had tended to isolate Japan and Russian world contacts generally.

BINGHAM

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852.00/4206 : Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, December 29, 1936—9 a. m.

[Received December 29—6:50 a. m.]

377. Although official attitudes cannot be ascertained, evidence from reliable sources confirm the conclusion that Hitler is sending more troops, more airmen and engineers to Spain than ever before. This is being done in spite of opposition from generals of the army and Dr. Schacht. And there is an increasing popular unrest because there is no newspaper information and there is an increasing food supervision.

A few days ago there was evidence that the British-French opposition to continuing the war in Spain was having some effect. Now it seems that Mussolini is quite as active as a month ago and Hitler regards this as a sufficient guarantee to their success. The repeated protests from London and Paris have thus far not had effect and the most authoritative pressman in the Propaganda Ministry ridicules the idea of protests against German-Italian activity. The peace situation is thus acute but I believe the economic situation is such that war is not likely. The idea seems to be to wear down all opposition and use the pacifist attitudes of other countries to utmost advantage. But there is great anxiety here.

DODD

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741.65/302 : Telegram

*The Ambassador in Italy (Phillips) to the Acting Secretary of State*

ROME, December 29, 1936—noon.

[Received December 29—9:05 a. m.]

553. In strict confidence the Embassy has been shown a copy of the present draft of the Anglo-Italian joint declaration in respect to

the Mediterranean. It is expected that this will be signed within a few days possibly before the new year.<sup>40</sup>

In substance the declaration sets forth the desire of both countries to contribute to peace. To this end they recognize that the freedom of entry into, exit from, and transit through the Mediterranean is of vital interest to both countries and that these interests are in no way inconsistent. Each agrees to respect the other's rights in this area and will discourage any action liable to impair their good relations; both disclaim any desire to modify or to see modified the *status quo* in the Mediterranean. The object of the declaration is described therein as solely for the purpose of promoting peace in this area and is not directed against any other power.

In explaining the declaration the British Embassy states that although it does not anticipate that any changes in substance will be made in the present draft it should be understood that the final wording has not yet been agreed upon. The British Ambassador expects to discuss the definitive text this afternoon with Ciano and hopes to secure his agreement. After the accord has been signed several days will elapse before it is made public in order to give Great Britain an opportunity to inform the French Government which has been kept in close touch with the course of the present negotiations. It is also hoped that the Italian Government will likewise notify France as well as Germany.

While the declaration makes no specific mention of the Spanish territory or islands the reference to the *status quo* in the Mediterranean is intended to give the necessary assurances that Italy has no designs in that respect.

The British Embassy has expressed the opinion that the conclusion of this accord will create a favorable atmosphere in which it may be possible to work out a more satisfactory arrangement as regards Spain. While it was not actually said, the impression was gained that with the improvement of the relations between the two countries Great Britain anticipates that Italy will be willing to play a more active role in the Non-Intervention Committee.

PHILLIPS

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711.00111 Lic. Vimalert Co. Ltd./10: Telegram

52

*The Acting Secretary of State to the Ambassador in France (Bullitt)*<sup>41</sup>

WASHINGTON, December 29, 1936—8 p.m.

555. The Department yesterday found itself obliged to grant two licenses for the exportation to the port of Bilbao in Spain of a ship-

<sup>40</sup> See British Cmd. 5348, Italy No. 1 (1937): *Declaration by His Majesty's Government in the United Kingdom and the Italian Government Regarding Mediterranean (with Exchange of Notes Regarding the Status Quo in the Western Mediterranean dated December 31, 1936), Rome, January 2, 1937.*

<sup>41</sup> See last paragraph for instructions to transmit copies to Embassies at London, Berlin, Rome, and Moscow.

ment of airplanes and engines to the total value of \$2,777,000. As you recall the joint resolution of Congress now in effect providing for an embargo against the shipment of arms, ammunition and implements of war to "belligerent countries"<sup>42</sup> does not apply to the present civil strife in Spain as it is applicable only to wars between nations. The present authority for the issuing of licenses contains the following provision: "Licenses shall be issued to persons who have registered as provided for except in cases of export or import licenses where exportation of arms, ammunition, or implements of war would be in violation of this Act or any other law of the United States or of a treaty to which the United States is a party, in which cases licenses shall not be issued". As none of these exceptions exist in the case of the Spanish situation the right to a license could not be denied.

Since the beginning of the disturbance in Spain many inquiries have been received as to the attitude of this Government toward shipments of arms, ammunition, and implements of war, including aircraft, to Spain. Heretofore in all such cases the inquirers have patriotically refrained from requesting licenses for such shipments upon receiving an explanation of this Government's attitude and policy of scrupulous non-intervention in the Spanish situation. Thus with the cooperation of arms manufacturers and exporters this Government has been able to carry out its policy of non-interference in the Spanish situation. Mr. Robert Cuse,<sup>43</sup> the licensee in this case, insisted upon his legal rights in the face of an explanation of this Government's non-involvement policy and with full understanding thereof. The Department sincerely regrets the unfortunate non-compliance by an American citizen with this Government's strict non-intervention policy.

In view of the fact that most of the airplanes and airplane engines and parts composing the shipment, licenses for which have been granted as mentioned above, are not of new manufacture and will therefore require overhaul and reconditioning, it is not expected that any of this shipment will leave the United States during the next 2 months and that the entire shipment will not be completed before 6 months from now.

For further information see tonight's radio bulletin.

You are authorized in your discretion to bring the facts with regard to the issuance of these licenses orally to the attention of the Government to which you are accredited.

Please transmit a copy of this telegram to Embassies at London, Berlin, and Rome for their appropriate action. Repeat to Moscow without preceding paragraph stating that it is for Embassy's information only and for background in the event of receiving any inquiries on

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<sup>42</sup> Approved August 31, 1935; 49 Stat. 1081.

<sup>43</sup> President of Vimalert Company, Ltd.

the subject from the Government or any of the other diplomatic missions.

MOORE

852.00/4227 : Telegram

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

PARIS, December 30, 1936—1 p. m.  
[Received December 30—10:20 a. m.]

1305. We are told at the Foreign Office that the Russian Government has accepted the proposal of the British and French Governments to ban volunteers for Spain subject to acceptance by the other interested parties. The French Government has had no reply from the German Government or the Italian Government nor any reliable indication concerning the nature of what their replies may be.

Copies mailed to London, Rome, Berlin, Moscow.

BULLITT

852.00/4235 : Telegram

*The Consul at Seville (Bay) to the Acting Secretary of State*

SEVILLE, December 30, 1936—1 p. m.  
[Received 10:39 p. m.<sup>44</sup>]

17. Approximately 3,000 veteran Italian infantrymen in Spanish uniform with officers arrived in Seville last week. About the same time, an armed Italian transport apparently laden with army supplies moored in port. An Italian Red Cross Unit of 24 trucks with supplies reached Seville December 30 [29?]. It is reported that 1,000 Irish volunteers commanded by General O'Duffy have arrived in Caceres coming mostly by way of Lisbon.

In informed circles it is felt that fall of Madrid will not be long delayed. The drive on Jaén, an important olive oil production center, is progressing successfully and Malaga will be the next objective of Queipo's forces. From sources considered reliable it is said military leaders have decided they will not rebuild Madrid after it has been captured as the cost would be prohibitive and that the seat of Government will be established in Seville. Industry as well as government, it is maintained, will be decentralized.

Exportations of olive oil are practically prohibited as supplies are said to be sufficient only for domestic consumption and large reserves are needed when Madrid falls. Rumors are that Germans have demanded 30,000 tons of that commodity in payment of war material which if acceded to practically gives them a corner on existing avail-

<sup>44</sup> Telegram in two sections.

able supplies and enabling them to sell with profit in New York. Capture of Jaén and Malaga would release huge stores of olive oil but it is feared stores will be destroyed by Red forces when attacked. Rumors also are that Germans have demanded and obtained contract for 300,000 tons iron ore from Spanish Morocco.

BAY

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852.00/4229 : Telegram

*The Vice Consul at Gibraltar (Johnson) to the Acting Secretary of State*

GIBRALTAR, December 30, 1936—5 p. m.  
[Received December 30—2:30 p. m.]

British Admiralty at Gibraltar has furnished following information: New insurgent cruiser *Baleares* at Cadiz after trial runs North Spain. German battleship *Admiral Graf Spee* also at Cadiz; other German warships west of Tangier. Blockade of Straits of Gibraltar by insurgents becoming more widespread as now merchant vessels of all nationalities except British being intercepted whereas before only Russian vessels stopped. Today Danish and Belgian merchant ships ordered to stop. Vessels bound for Spanish ports on east coast are escorted Ceuta, and cargo examined for contraband of war.

JOHNSON

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852.00/4234 : Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, December 30, 1936—7 p. m.  
[Received December 30—3 p. m.]

380. Interview December 29 with high German official who was not out of town as reported, revealed some change in attitudes here. He insisted that his name be not given to anybody but said "I am almost certain that Hitler will accept the Franco-English neutrality demands as to Spanish situation".

I then renewed my request as to Germany's attitude in case a world peace conference should be urged as a result of the Buenos Aires Conference. Instead of criticising that activity of the United States, as nearly all the press here and some of the propaganda officials have done, he said he agreed with Secretary Hull's last speech.<sup>45</sup> He said

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<sup>45</sup> Apparently refers to address of December 23, 1936, *Report of the Delegation of the United States to the Inter-American Conference for the Maintenance of Peace, Buenos Aires, Argentina, December 1-23, 1936* (Washington, Government Printing Office, 1937), p. 92.

peace is the first thing for all Europe to agree to. To have a successful conference there must be a preliminary agreement between Germany, England, France and the United States.

Germany will demand before entering any conference a restoration of her colonies. "We cannot annex neighboring strips of countries without war and war would defeat everything; but we can have our colonies; not accounting for New Guinea in the Far East". I said the Netherlands own part of New Guinea but he replied "but the Netherlands won't seriously object". He then said that if we had real peace agreement among the greater nations he was ready to urge financial cooperation with England, France and the United States. And if we get peace and money stabilization we shall all agree to Secretary Hull's commercial reforms. That would bring world prosperity and war would cease to be a method of national procedure.

The official agreed there is anxiety here but said he was sure he was right in what he had said and hoped our country could help the world out of its dilemma but repeated the colony demand. He promised to inform me in case the Chancellor showed a different attitude from what he had reported.

DODD

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711.00111 Unlawful Shipment/1 : Telegram  
Fritz Bieler, et al.

*The Chargé in Mexico (Boal) to the Acting Secretary of State*

MEXICO, December 30, 1936—8 p. m.

[Received December 31—1:15 a. m.]

229. A representative of Consolidated Aircraft here has just informed me that Avila Camacho, Secretary of War, told him that today he had had an interview with the President to inquire whether certain Mexican-made war material equipped with American-made instruments and gunnery now unserviceable might be sold to the Spanish Government representatives here for shipment to Spain. The President told the Secretary of War that he was desirous of helping President Roosevelt carry out his peace policies and therefore would not authorize such export without learning through the State Department or Embassy here that the American Government had no objection to the exportation of the American-made equipment involved. Apparently nothing was said to indicate that the President had any present objection to shipment to Spain of American-made aeroplanes purchased from private sources in Mexico or the United States.

This same informant advised me that Bieler's Electra aeroplane mentioned in my 228 of December 30, 6 p. m.<sup>46</sup> has been sold to the

<sup>46</sup> Not printed.



Spanish Government and that in connection with the transfer new Mexican license numbers were put on it yesterday. He further reports that he has learned that some officials in the Department of Communications are making up certificates of accidental destruction for some American planes brought in under tourist permit in order that these might be shipped to Spain.

President Roosevelt's statements regarding shipments of war material published in the newspapers this morning<sup>47</sup> here have made a deep impression. It is possible that if the Mexican Government were asked to inform our Government as to what American-made planes were being shipped out of Mexico to Spain with a view to determining whether they had entered Mexico under tourist permits or under contract not to resell for shipment for military purposes, they would cooperate to this extent and also to the extent of preventing any such planes identified from leaving the country.

BOAL

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711.00111 Lic. Vimalert Co. Ltd./38

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*Memorandum by the Special Assistant to the Secretary of State and Chief of the Division of Western European Affairs (Dunn)*

[WASHINGTON,] December 31, 1936.

The Spanish Ambassador came in this morning . . .

The Ambassador expressed his regret at the attitude of the American Government in having taken the position that the shipment of airplanes and engines arranged by Mr. Cuse for forwarding to the Spanish Government was against the policy of this Government. He said that he considered our policy of non-intervention extremely unfortunate as he felt that the democratic countries should support the Spanish Government in its struggle against Fascism.

The Acting Secretary explained that our policy of non-intervention was based upon our desire and determination that this country not become involved in a situation in Europe which might lead to war, and that no doubt steps would be taken to grant legislative authority to this Government to prevent shipments of arms and implements of war to both sides in the Spanish struggle.

The Ambassador went on to describe the arrival in Seville during the past week of 6,000 fully equipped and armed Italians, and during that period of about 6,000 German nationals also fully equipped, and that these troops were now operating with the forces in Andalusia in their attack upon Cordoba. He further stated that a German airplane en route to Spain had crashed in France day before yesterday,

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<sup>47</sup> *New York Times*, December 30, 1936, p. 1.

and he stated that while the democratic governments were keeping their word in regard to non-intervention, the Fascist governments of Germany and Italy were breaking their word every day and continuing to pour forces and equipment into the insurgent movement.

The Ambassador also asked the advice of the Acting Secretary as to whether he should respond to an invitation he had received to make an address in New York at a meeting which has been organized by Mr. Thomas, who was the Socialist candidate in the recent election. He explained that it was his intention to make an address along entirely historical lines, with a view of setting forth the disadvantages and damaging results of dictatorships and totalitarian regimes. Judge Moore told the Ambassador that he could not object to his making an address of that kind, and that it would be entirely for the Ambassador himself to decide his action in that regard.

JAMES CLEMENT DUNN

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711.00111 Lic. Vimalert Co. Ltd./15 : Telegram  
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*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

ST. JEAN DE LUZ, December 31, 1936—11 a. m.  
[Received December 31—10:10 a. m.]

190. My 187, December 29, 6 p. m.<sup>48</sup> The granting of license to aircraft brokers causing much comment here and in the French press. British Ambassador told me that announcement at most critical moment of negotiations with Berlin does much damage and press calls attention to Berlin's citation of our action in justification of continuation of her policy of intervention.

In view of press articles on probable legislation to the effect that neutrality act may extend prohibition of exportations to "any faction in a civil war" it seems wise to avoid the word "faction" since its use in the present instance would be a description of the legal government as a "faction" and unquestionably would be resented by the Government with which we still have good relations.

BOWERS

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711.00111 Unlawful Shipment/5 : Telegram  
Fritz Bieler, et al.

*The Acting Secretary of State to the Chargé in Mexico (Boal)*

WASHINGTON, December 31, 1936—3 p. m.

230. Your No. 229, December 30, 8 p. m., final paragraph. You are authorized, in your discretion, to inform the appropriate Mexican

<sup>48</sup> Not printed.

authorities that this Government has reason to believe that attempts are being made to export American planes to Spain via Mexico. Such exportation would be in violation of American law if planes were exported under a license naming Mexico as the country of destination, or if they were flown from the United States ostensibly for temporary sojourn in Mexico without an export license. You may add that this Government would appreciate any action which the Mexican Government might feel at liberty to take as an act of international courtesy to assist this Government in the enforcement of its laws respecting international traffic in arms. You might remind the Mexican authorities of the importance which they have always attached to the strict enforcement of our laws in respect to arms leaving this country for Mexico.

MOORE

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711.00111 Lic. Vimalert Co. Ltd./25: Telegram  
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*The Acting Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, December 31, 1936—5 p. m.

B-101. Your 190, December 31, 11 a. m. The word "faction" has not been used in any official statement of this Government with regard to the exportation of munitions of war to Spain. The point which you make will be kept in mind and brought to the attention of the proper persons when an opportunity offers.

MOORE

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852.00/4248: Telegram

*The Consul at Barcelona (Perkins) to the Acting Secretary of State*

BARCELONA, December 31, 1936—7 p. m.

[Received December 31—6 p. m.]

Within the past week, some 4,000 foreign volunteers of various nationalities have passed through Barcelona for the front. Estimate over 20,000 such have passed since October 31. These arrive by rail from France and are grouped according to nationality. There appear to be no Russian contingents.

Security for person and property throughout Barcelona is definitely worsening and, with increasing refugees from Madrid, it will be difficult, if not impossible, to preserve from occupation, furnished apartments vacated by evacuated American citizens.

PERKINS

711.00111 Unlawful Shipment/6: Telegram  
Fritz Bieler, et al.

*The Chargé in Mexico (Boal) to the Acting Secretary of State*

MEXICO CITY, December 31, 1936—9 p. m.

[Received January 1, 1937—2:50 a. m.]

233. Your 230, December 31, 3 p. m. As the Foreign Office was closed this afternoon and no official likely to have immediate access to the President was available, I called on him and set forth the matter in accordance with your telegram. The President immediately said that he would be glad to cooperate with the Department in the matter and would at once take steps to prevent any airplanes or other war material of American origin from being sent to Spain. He said that he had known for some time that American airplanes were being sent into Mexico with a probability of their being destined to Spain; that as he had supposed our Government was aware of this likelihood when authorizing them to leave the United States he had not thought it necessary to interfere with these private transactions but repeated that in view of the circumstances as now set forth to him, he asked me to assure the Department that no export of such airplanes or other war material for Spanish combatants would now be permitted by his Government. He assured me that he had consistently refused to sanction the sales by the Government of Mexican war material of American make to Spain and would of course continue to do so.

I expressed to him the Department's thanks for his cordial cooperation in this matter.

BOAL

## II. Protection of Lives and Property of Americans and Other Nationals

852.00/2186 : Telegram

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

PARIS, July 21, 1936—4 p. m.

[Received July 21—12:25 p. m.]

621. Reference our 620, July 21, 2 p. m.<sup>49</sup> Have talked again with Wendelin<sup>50</sup> who repeats that thus far to the best of his knowledge no Americans injured and that members of the Embassy, Consulate, Commercial Attaché's staffs "are perfectly all right".

At present he is unable to communicate with any outside country except France and is also unable to communicate with any of the consulates in Spain. We are arranging to keep in close touch with him so

<sup>49</sup> Not printed.

<sup>50</sup> Eric C. Wendelin, Third Secretary, left in charge of the Embassy at Madrid when the Ambassador and his staff moved to San Sebastián, the summer capital of the Spanish Government, on July 10, 1936.

long as the telephone communication remains open and will immediately relay to you any messages received.

He states that the Embassy has made arrangements with the telephone company (which is American) to telephone each member of the American colony in case the situation gets more serious. The Embassy has likewise made arrangements for their transportation to the Embassy and in case of danger they will all be given haven.

The situation at present in Madrid is quiet as the militia has gone out to meet the rebels. He adds, however, that the situation remains very serious. The rebels are reported to be as close as Toledo on the south and Segovia on the north but it is believed that for the present there is no danger of an attack on Madrid.

First Secretary Cochran of this Embassy and his wife are in Spain on vacation and were to leave Madrid on Saturday morning according to Wendelin for Seville, Hotel Inglaterra. Wendelin as stated above is unable to communicate with consulates in other cities in Spain.

Repeat[ed] to San Sebastián.

STRAUS

852.00/2195a : Telegram

*The Secretary of State to All American Consuls in Spain*

WASHINGTON, July 21, 1936—5 p. m.

While it is realized that communications have been seriously disrupted, if not cut off, Department expects you to keep it fully and promptly informed of all developments with particular reference to the safety and welfare of all Americans within your consular districts. You should submit your recommendations in regard to any measure necessary for the protection of American citizens. Also state number of Americans in your districts.

HULL

852.00/2181 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom (Bingham)*

WASHINGTON, July 21, 1936—6 p. m.

272. The Consul at Gibraltar has informed the Department that the Captain of His Majesty's ship the *Shamrock* is in contact with the American Consul at Malaga and has assured the Consul that all possible measures will be taken for the safeguarding of British and Americans in Malaga.<sup>51</sup> I wish you would express to the appropriate British

<sup>51</sup> In telegram of July 22, 11 a. m., the Consul at Gibraltar reported the escape of American tourists from Malaga in the *Shamrock* (852.00/2191).

authorities our appreciation for this cooperation which is being extended to our interests in Spain. Please also inform him that as a precautionary measure the U. S. S. *Oklahoma* now at Cherbourg has been detached from the training cruise and ordered to proceed to the northern coast of Spain in order to be in contact with San Sebastián, Bilbao and Vigo and that the U. S. S. *Quincy* now en route to Europe has been diverted from its course and ordered to proceed to Gibraltar to await further orders. I trust that the arrival of the *Quincy* at Gibraltar will be acceptable to the British.

HULL

852.00/2193 : Telegram

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

PARIS, July 22, 1936—1 p. m.

[Received July 22—11:30 a. m.<sup>52</sup>]

625. Talked with Wendelin on the phone this morning who reports as follows:

Things in the city quiet last night. Armed militia is outside the city fighting the rebel troops in important battle near Toledo.

Last night in a pension next door to the Consulate where an American and his wife . . . were living two young armed men entered the place. They put all people in one room except this man's wife whom they took into another room and raped. Wendelin writing note to the Ministry of State on this matter as soon as he has all details. Doctor was called immediately and certified to the accuracy of this statement. On the basis of this event Wendelin went personally to the Director General of the *Sûreté* last night and reiterated his demand for the protection of the Consulate and the residence of the Consul which is on the same street opposite office. Last night after waiting a considerable length of time Wendelin obtained two guards who are now on duty at the Consulate as well as residence and who are also in a position to watch the pension above referred to and other places where there are Americans.

Wendelin is preparing the Embassy with food supplies and other necessities to receive American residents in Madrid in case of necessity. Total number of Americans in Madrid approximately 100. Wendelin knows of no American being injured except the case above referred to. He is informed that the British Embassy is already admitting their citizens to the Embassy grounds for protection and the French Consul has instructed his nationals to go to the Consulate whenever they feel unsafe where they are. In our case, because of the fact that Americans are living in widely scattered parts of the city

<sup>52</sup> Telegram in four sections.

and particularly in the case of women, Embassy hesitates to tell them to come to the Embassy by their own means. There are no means of transportation available except street cars. Embassy therefore plans in case of necessity to pick them up with the Embassy cars with whatever guard they can get hold of. The telephone company is cooperating with the Embassy to the best of its ability in getting communication with other parts of Spain and outside of Spain. Late last night Wendelin was in touch with Barcelona and had following report regarding situation in Barcelona.

Consul Franklin<sup>58</sup> reports that the troops in the barracks there revolted against the Government on Sunday or Monday. The revolt was suppressed with considerable casualties. In the city, great numbers of armed Socialists and Communists are pursuing the Fascists throughout the city and in the process searching the buildings and houses. Considerable firing in the streets which makes it dangerous to go out. Consul Franklin reports he has been requested by the General Motors Company branch in Barcelona to order a small American freighter which is at Tarragona to come to Barcelona and take them on it. The Consul declined to do this because he considered it not a useful measure, also he feels he has no authority to do so; and furthermore, there are several hundred Americans in the city and the freighter could not take off more than 20 or 30. Consul has attempted to communicate with the Department twice by cable telling the Department that in a conversation with the President of the Catalan Government yesterday afternoon he was told by him that the circumstances made it impossible for him to guarantee the safety of Americans and other foreigners in Barcelona and that he would view favorably the Consul's action in requesting American ships to come to Barcelona to receive American citizens on board and would give them every facility in the port.

Consul reports that the French Consulate is attempting to evacuate the French colony which amounts to some 12 or 15 thousand people. Consul Franklin states that he does not feel personally able to recommend that ships be now sent to Barcelona for this purpose but that he would greatly like to have one or two American ships in the port in case of emergency. He has advised all Americans in Barcelona to remain indoors. Thus far no Americans in Barcelona have been injured. He was trying to communicate with the Embassy in Paris last night. He will try today to communicate with the Embassy in Paris (we are trying to reach him but without success so far).

Mr. Wendelin has no other news except what he received from the Consulate in Gibraltar by way of Lisbon. They say that the situation in southern part of Spain near Gibraltar is chaotic; at Malaga

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<sup>58</sup> Lynn W. Franklin, Consul at Barcelona.

there has been much rioting and burning of churches and the extremist element seems to be in control. They have no definite information of the progress of the military revolt in that area and can only say definitely that the rebels hold the cities of Algeciras and Melilla in Africa.

Wendelin says communication with Lisbon so far today has been poor and he could not understand them.

STRAUS

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852.00/2196 : Telegram

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

PARIS, July 22, 1936—3 p. m.  
[Received July 22—1:55 p. m.]

626. Following just received over the telephone from Wendelin: After discussion with the Military Attaché, Consul General, Commercial Attaché and head of the American Telephone Company who is in a peculiarly good position to know the situation, they reached the opinion that the situation was sufficiently grave to offer hospitality of the Embassy to any Americans who wished to go there. Unless there is a change for the better in the next hour or so this offer will be made. They are making all arrangements possible in the Embassy to take care especially of women and children and thus keep them two or three days if necessary. Food supplies in Madrid are running short because communications are being harassed by the rebels. It is estimated that food supplies will last only 2 days more. There are no fresh vegetables and they are making every effort to lay in canned goods.

The reason they have reached the foregoing decision is that irresponsible Communist and Socialist youths are now more and more committing acts of depredation. Hotel Nacional has been taken over by these youths. There are four Americans there, one man and three women, and the Embassy has been unable to communicate with the hotel but will try to send someone there shortly. Several other hotels in which Americans have been staying have been under fire for 2 days. It is more owing to luck than anything else that no one was injured as, despite warnings from the Embassy, some Americans insist on going into the street to see what is going on. There are now two guards at the Embassy and two Assault Guards at the Consulate which is near the Embassy so that if Americans are concentrated in the Embassy they will have the assistance of four guards. Office of Commercial Attaché has been closed and he is now at the Embassy. He requests that his Department be notified that he did not go on leave and is still in Madrid.



Another serious problem is that these armed youths are requisitioning automobiles from everyone. Several instances have occurred of American-owned automobiles being seized. The Embassy cannot expect any help from the authorities in this matter as they are too occupied with their own problems.

There is no news today as to the battle taking place in Toledo where the rebel troops are holding the city against the militia from Madrid. The Embassy is constantly trying to keep in touch with the consulates in Spain but so far the only one they can communicate with is Barcelona.

STRAUS

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852.0072201: Telegram

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

PARIS, July 22, 1936—8 p. m.  
[Received July 22—5:28 p. m.]

629. Following by telephone from Madrid:

The telephone company at Wendelin's request has telephoned the following message to all known Americans in Madrid: "I am requested to inform you that the Embassy is open to all Americans and offers its protection if desired by them. Those availing themselves of this offer must bring their passports and simply travelling bags and toilet articles, and if practicable a blanket and food for one meal." Inasmuch as the Embassy has no guards to protect Americans proceeding to the Embassy, it is not urging Americans to come to the Embassy but only offering protection if they care to come.

This was done at 2:30 this afternoon.

The city is still quiet but the situation is ominous. It is feared that the irresponsible youths may start searching houses at any moment putting people in considerable danger.

Embassy has just received a message from the town of Guadarrama which is about 50 kilometers northwest of Madrid informing them that an American woman was wounded there in fighting that occurred there this morning and requesting the Embassy to attempt to have her brought back to Madrid. This was half an hour ago. The Embassy immediately got in touch with the Director General of Safety and requested him to send for her as the Embassy has no means of going there.

The Embassy at Madrid strongly urges that the cruiser *Quincy* be sent on to Barcelona.

Referring to confidential paragraph Embassy's 625, July 22, 1 p. m. Mrs. . . . is now at the Embassy and although they were informed last night that there had been an examination by a doctor

this has not proved to be the case. She insists, however, that she was in fact attacked.

The Embassy is now informed that the food supply is practically exhausted. Embassy has supply estimated to carry five people for 30 days. They are concerned over the water supply because of the killing of a group of guards that protect the water aqueduct coming from the mountains. These guards were killed by soldiers of an engineering regiment who left their barracks on the outskirts of Madrid, deserted the Government and fled northwards to join the rebel force at Segovia. Embassy fears water supply may be deliberately cut to deprive the city of water. In view of this, Embassy has filled all available receptacles and have a good-sized reservoir filled on the roof of the Embassy. Unless conditions become extremely desperate, they feel that any one in the Embassy will be safe. Their principal concern is that the two guards may be taken away. The British Embassy by the last report had had no protection afforded to it. The German Embassy, because of the size of the German colony in Madrid which amounts to over 3,000 people, has decided not to invite them to come to the Embassy which is not large enough to accommodate them. They will, therefore, limit themselves to anyone appearing at the Embassy doors requesting admission.

The Government reports officially that they defeated the rebel troops holding Toledo and occupied the city, and likewise the city of Guadalajara. Embassy has no information as to conditions in the south of Spain.

STRAUS

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852.00/2209 : Telegram

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

PARIS, July 23, 1936—10 a. m.  
[Received July 23—9 :40 a. m.]

630. Your 235, July 22, 3 p. m., and 239, July 22, 11 p. m.<sup>54</sup> After trying throughout the night we were able this morning to get through by telephone to Consul Franklin at Barcelona. He said that he had cabled you yesterday and had telegraphed us here but we have not received the telegram. He stated that yesterday two Italian and one British warship had come into the harbor and were available for the protection of Americans in case of necessity. An Italian passenger ship is due today and all Americans desiring to take this ship can do so. General Motors branch in Barcelona is arranging for the departure of some 20 women and children on this steamer today which is

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<sup>54</sup> Neither printed; they contained instructions to contact the Consul at Barcelona and make inquiries regarding the despatch of the S. S. *Exeter* to Barcelona, and other measures for the evacuation of Americans (852.00/2193, 2201).

expected to go to Genoa. Franklin said that any question of using the small freighter at Tarragona was now "out of the question" and he did not think it necessary to have the *Exeter* call at Barcelona. He believes that the despatch of an American war vessel to Barcelona, while not necessary for the protection of American lives, would have a salutary effect on the opinion of Americans there and be helpful to our prestige.

He stated that there is relative calm in the city and no firing, although a good deal of pillage by irresponsible armed groups. The labor groups which had been armed had been sent outside the city to fight the insurgents. Although the local authorities had given orders through the newspapers and by radio that no foreigners were to be molested several automobiles owned by foreigners have been confiscated and many homes owned by foreigners riddled by bullets. No injury or deaths reported of Americans or other foreigners. Franklin said that there was one element in the labor organization composed of downright Anarchists who were armed and were a potential danger. He believes that unsettled conditions will last for some time.

He stated that Consul Jackson and family were safe in Madrid and that he was able to talk yesterday with Consul Davis and Vice Consul Wells at Valencia. Davis stated that Valencia was in the hands of the Communists but all Americans safe.

STRAUS

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852.00/2205 : Telegram

*The Consul at Bilbao (Chapman) to the Secretary of State*

BILBAO, July 23, 1936—10 a. m.  
[Received July 23—9: 10 a. m.]

Bilbao virtually in state siege, food shortage very likely to bring about looting since authorities are not in a position to prevent it. American citizens having no assurance protection, request that war vessel take women and children as soon as possible.

CHAPMAN

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852.00/2228 : Telegram

*The Counselor of Embassy in Spain (Johnson) to the Secretary of State*

HENDAYE, [July 23, 1936—10 a. m.]  
[Received 4 p. m.]

51. Situation here dangerous; battle in the streets quite near the Chancellery yesterday; artillery fire on land and from a small war vessel of the Spanish Government which has already left again. The

Popular Front has now won the most of the city, but situation may become still worse if other revolutionary forces arrive here or if the red part of the Popular Front is no longer under control. This telegram has been sent through the courtesy of a French dispatch boat which has just arrived. Impossible to communicate with the Ambassador at Fuenterrabia or with anyone outside of the city. I believe the Americans here are safe up to the present. The British Ambassador is trying to send communication asking for a warship and I recommend that an American ship be sent here immediately if possible.

JOHNSON

852.00/2215 : Telegram

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

PARIS, July 23, 1936—1 p. m.

[Received July 23—11:10 a. m.]

632. Talked with Wendelin by phone this morning. Reference second paragraph Department's 239, July 22, 11 p. m.<sup>55</sup> the authorities report that the American woman wounded at Guadarrama is in the tuberculosis sanatorium there and is better off than trying to bring her into Madrid. The Embassy is endeavoring to ascertain her name and will report later.

Situation continues very quiet. About 30 women and children in the Embassy. Expecting considerably more today. All the wives and families of the telephone company officials are in the Embassy. Embassy has heard from the city authorities that they now have enough food supplies for normal requirements of the city for 1 week and they are attempting to bring in more from some distance outside the city. Water supply is functioning all right and has not been cut off.

It seems to be confirmed that the Government forces yesterday captured Toledo and Guadalajara. At the latter place damage to the city from fire is very considerable. Considerable fighting in mountain ranges 40 miles north of Madrid. Rebel forces from Segovia advanced as far south towards Madrid as La Granja where they were met and defeated by Government forces. Considerable number of wounded have been brought into Madrid by the Red Cross and other ambulance services. Government has taken over several hotels as additional hospital units.

All municipal services in Madrid are now functioning normally. All stores are open. Street cars are running, the services of sanita-

<sup>55</sup> Not printed; in the second paragraph the Department requested the name of the woman wounded at Guadarrama (852.00/2201).

tion, garbage, street cleaning going on normally. The aspect of the city except for armed forces going around in automobiles in considerable numbers is almost normal. Embassy does not expect any immediate trouble either today or tonight. When trouble may be expected is when the armed militia comes back to Madrid after final victory or defeat.

Although the French Telegraph Administration is accepting telegrams for San Sebastián, routed via Barcelona, we have received no reply to our telegram[s] sent to San Sebastián and assume that they have not been received.

STRAUS

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852.00/2265k : Telegram

*The Secretary of State to President Roosevelt, at Sea*

WASHINGTON, July 23, 1936.

3. I have discussed this morning with Admiral Standley<sup>56</sup> the continued seriousness of the situation in Spain particularly insofar as the protection of American nationals is concerned. The reports which we are receiving indicate that the situation is if anything becoming much worse and it seems like a fifty-fifty chance as to which side may come out on top and furthermore with an equal chance that a completely chaotic condition may arise in Spain which may continue for some time. One of the most serious factors in this situation lies in the fact that the Government has distributed large quantities of arms and ammunition into the hands of irresponsible members of Left Wing Political organizations. In view of this fact and in view of the fact that the *Oklahoma* and the *Quincy* according to Admiral Standley can not be kept in European waters any indefinite period we feel that serious consideration should be given to the possibility and advisability of making preparation for the ordering of other American war vessels into Spanish waters. Admiral Standley informs me that he could have ready by next Wednesday one heavy cruiser and four destroyers with two more destroyers to follow later. These vessels if despatched could be held over there until conditions have become more settled.

It is my feeling that we should not only in the interest of the situation in Spain but also in the interest of allaying public sentiment here begin preparations for the ordering of these vessels to Spanish waters and to make that announcement immediately available to the public. In the event that conditions in Spain quiet down within the next few days and the ordering of these vessels to Spanish waters becomes unnecessary the arrangements could easily be cancelled. I would

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<sup>56</sup> Adm. William H. Standley, Chief of Naval Operations.

appreciate your informing me whether you feel that such a step is advisable and would meet with your approval.

HULL

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852.00/2209 : Telegram

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

WASHINGTON, July 23, 1936—1 p. m.

240. Your 630, July 23, 10 a. m. The Department has arranged with the Export Line to have the S. S. *Exeter* call at Barcelona about 9 o'clock July 24. A telegram has been sent direct to the Consul at Barcelona informing him of this fact and requesting him to inform all Americans within his reach that this means of leaving Spain will be available at that time. It is understood that passengers taken on will be returned to Marseilles. Since we cannot be sure that our direct telegram will be received, please endeavor to reach Barcelona with this information by telephone.

If you are able to contact San Sebastián please inform Ambassador Bowers that the U. S. S. *Oklahoma* will arrive at Bilbao about daylight July 25, where it will be available for the evacuation of Americans.

Please also repeat the above to the Embassy at Madrid.

HULL

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123 Wendelin, Eric C./86 : Telegram

*The Secretary of State to the Ambassador in France (Straus)*<sup>57</sup>

WASHINGTON, July 23, 1936—4 p. m.

243. Please convey following to Wendelin, Madrid:

"Department highly gratified at the timeliness and thoroughness of your reports and steps you are taking to protect Americans in Madrid. You are authorized to draw for such reasonable funds as are necessary to purchase food, employ guards and provide any other equipment which you may require in connection with the care of American citizens and protection of Embassy."

HULL

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852.00/2224 : Telegram

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

PARIS, July 23, 1936—6 p. m.

[Received July 23—4:10 p. m.]

635. Talked with Wendelin on the phone who said that Consul Franklin at Barcelona had read the following telegram which he had

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<sup>57</sup>A somewhat similar telegram (No. 242, July 23, 3 p. m.) was sent to the Ambassador in France for the Consul at Barcelona.

sent the Department over the telephone to him with the request that it be transmitted to the Department through Paris as well, as he does not think the message has gone through:

[For substance of the message, here omitted, see telegram No. 630, July 23, 10 a. m., from the Ambassador in France, page 632.]

The following further oral statement was made by Franklin to Wendelin at 1 o'clock today: Yesterday Tuesday at noon the clerk of the Consulate General, Santiago Iturralde (Spanish subject), left the Consulate General in a car bearing the American flag and driven by chauffeur of British nationality with the object of bringing back Mr. George Jenkins, head of the Ford Motor Company in Barcelona, from the outskirts of Barcelona. He has not since returned to the Consulate General or communicated with it. This morning the Consul was informed that an automobile bearing the American flag was fired upon and set fire to on the outskirts of the city and that at least one of the occupants was killed. Franklin gives a good deal of credence to this story because the clerk is a man of absolute trustworthiness and would certainly have returned to the Consulate General or communicated with it if possible long before now. Jenkins is reported to be safe. Franklin has addressed a note to the President of the Catalan Government which was delivered personally by Consul Braddock at noon today. In this note Franklin recites the above facts and points out the seriousness of the responsibilities incurred by the Catalan Government if the information is proved to be true. The President of the Catalan Government gave immediate assurances that he would accede to the demand of the Consulate General that an official car of the Government with sufficient guard be placed immediately at the disposal of Braddock who would proceed immediately to investigate and seek the missing clerk. Braddock will leave at 3 o'clock this afternoon to investigate the situation with official car and escort. Franklin will advise the Embassy at Madrid as soon as this investigation has been made. He has attempted to cable direct to the Department and to get in touch with the Embassy in Paris but fears that he will be unable to do so (we have received no word direct from him).

STRAUS

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852.00/2265f : Telegram

*The Secretary of State to the Consul at Barcelona (Franklin)*

WASHINGTON, July 23, 1936—7 p. m.

The Belgian Government has requested our cooperation in the evacuation of Belgian nationals from Barcelona. The Commanding Officer of the *Exeter* has been informed of this and we have also informed

the Belgian Government that while space on the vessel is limited, we will give every consideration to its request.

We assume that such Americans as avail themselves of the use of the *Exeter* will be sufficiently supplied with funds so as to take care of themselves. We very much hope that this is the situation since we have no particular funds available for this purpose. However, you should let us know whether there are any destitute Americans in need of funds.

HULL

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852.00/2231 : Telegram

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

PARIS, July 23, 1936—midnight.

[Received July 23—8:33 p. m.]

636. Just talked with Wendelin by phone. He states situation becoming very serious. They have made every effort all afternoon to get all Americans in the Embassy. They now have practically all native Americans numbering over 100 in the Embassy. Reason for this is that they are informed a military engagement took place north of Madrid between Government troops and rebel troops in which Government forces were defeated and are retiring in disorder towards the city. The Government is sending out heavy reinforcements and claims it can win victory. However, armed militia have taken up positions on rooftops throughout Madrid. Office of ABC newspaper across the street from the Embassy is occupied and roof held by large number of armed men. This position dominates this part of Madrid and incidentally the Embassy. Leaders of British colony in Madrid at meeting this afternoon demanded of British Vice Consul in charge that telegram be sent to the British Government saying British colony in Madrid wishes to be evacuated at once.

Wendelin added that if the Philippine colony of over 100 in Madrid decides to come to the Embassy they will be more than full.

STRAUS

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852.00/2235 : Telegram

*President Roosevelt, at Sea, to the Secretary of State*

[undated.]

[Received July 24, 1936—8:20 a. m.]

If you decide to order naval vessels from United States to Spain I will wholly approve. Please consider suggestion of hiring one or more small merchant vessels in England. Even if foreign flag ships,



officers from training squadron now in European waters can be assigned. This would be quicker than sending vessels from here. You might be able to get two or three American tramp steamers now in European waters.

[No signature]

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852.00/2235 : Telegram

*The Secretary of State to President Roosevelt, at Sea*

WASHINGTON, July 24, 1936.

5. Your telegram of July 24 in reply to mine of July 23 relative to question of quietly making preliminary preparations during next four or five days to send one cruiser and four or five destroyers as replacements for *Oklahoma*, *Quincy* and revenue cutter for relief work on Spanish coast. Our purpose in suggesting this preliminary preparation was based upon understanding that *Quincy* and *Oklahoma* at the time would have to be brought out soon; and second that in the event of anarchy numerous Americans would be filtering from interior to coast for some time, and hence the importance of having some vessel or vessels present for their relief. In the light of dispatches today and yesterday I feel that help given Americans by vessels of other governments together with help our four American vessels are giving and will give safely takes care of present emergency. I therefore feel that we can dismiss from mind any tentative plan or suggestion to make preliminary preparations to send any vessels from this country to Spain for purpose of existing emergency there.

HULL

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852.00/2225 : Telegram

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

PARIS, July 24, 1936—10 a. m.  
[Received July 24—6:17 a. m.]

637. Following message by telephone from Barcelona:

"July 24, 9 a. m. Death of Clerk Iturralde confirmed. Body brought to Barcelona by authorities last night. His companion, British subject, also killed at same time. Death of Iturralde deeply felt as he died endeavoring to protect Americans. Served this Consulate faithfully 17 years. Leaves family and four children penniless. Local authorities have expressed concern, sympathy and regret. Franklin."

STRAUS

852.00/2238 : Telegram

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

[Extract]

PARIS, July 24, 1936—3 p. m.

[Received July 24—9:27 a. m.]

643. Following message received over the telephone from Wendelin.

“We intend to continue to take every precaution possible for the safety of American residents in Madrid and urge them all to come to the Embassy for protection. I am endeavoring to obtain additional police protection for the Embassy. We consider that such additional protection is absolutely necessary as our present force of four Assault Guards is entirely inadequate. Consulate has been closed and transferred to Embassy with all important files. The two guards assigned to Consulate now form part of the four on duty at the Embassy. We are informed that other Embassies and Legations in Madrid are now being guarded additionally by armed militia. Thus far we have no guard of this character at this Embassy and intend to make every effort to retain our present guard and obtain more.”

STRAUS

852.00/2240 : Telegram

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

PARIS, July 24, 1936—3 p. m.

[Received July 24—9:35 a. m.]

644. With regard to the situation in Spain, we were informed at the Foreign Office this morning that the French Government has one destroyer off San Sebastián, one on the north coast to evacuate French nationals from Bilbao and Santander, a cruiser stationed at Barcelona, a destroyer on the east coast between Maka and Valencia and a small destroyer will attempt to go up the river to Seville. It was stated that these ships will all endeavor to evacuate French nationals wherever this seems advisable and that they would of course take on board any Americans who desire to make use of these facilities.<sup>58</sup>

Referring to Department's 245, July 23, 7 p. m.,<sup>59</sup> appropriate instructions are being sent to the French authorities at Marseille.

STRAUS

<sup>58</sup> By telegram No. 249, July 24, 5 p. m., the Secretary of State instructed the Ambassador to inform the Foreign Office of his deep appreciation of the offer of the French Government.

<sup>59</sup> Not printed; it instructed the Ambassador to take up with the French authorities the question of making provision for the landing at Marseille of such Americans as might be evacuated from Spain (852.00/2209).

125.1673/399a : Telegram

*The Secretary of State to the Consul at Barcelona (Franklin)*

WASHINGTON, July 24, 1936—4 p. m.

Express to family Santiago Iturralde Department's sincere sympathy and regret in the sad death, while engaged in official business, of their husband and father, who for 17 years has been a faithful and loyal employee of the American Consulate General.

In view of the exceptional circumstances, you are authorized to draw on Department for such amount as may be necessary not to exceed \$300 for funeral expenses and payment to family of one month's salary. Render separate account and charge to authorization No. 10.

. . . . .

HULL

852.00/2241 : Telegram

*The Secretary of State to the Consul at Gibraltar (Williams)*

WASHINGTON, July 24, 1936—4 p. m.

Your July 24, 2 p. m.<sup>60</sup> Please let us know how many Americans may be left in Malaga who wish to be evacuated. The USS *Quincy* has been ordered to proceed direct to Malaga before calling at Gibraltar and is expected to arrive there the late afternoon or early evening of July 26. This same information and request has been sent direct to Malaga, but in view of the uncertainty of communications and in view of your contact with the refugees themselves, it seems preferable to get your reaction.

I may say in response to your inquiry with regard to news from Barcelona that we feel that you should submit to the Department any pertinent information which you may receive since we are not at all times sure that lines of communication are open.

In order to meet emergency expenses you are authorized to draw on the Department in the amount not to exceed \$500.00. Draw separate draft render separate account referring to this telegram as authority therefor.

I deeply appreciate the assistance which the British Intelligence service is giving to you and I wish you would express to that Service my sincere thanks.

HULL

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<sup>60</sup> Not printed.

852.00/2254 : Telegram

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

PARIS, July 24, 1936—11 p. m.  
 [Received July 24—9:29 p. m.]

649. Madrid telephoned following message from Consul Franklin, Barcelona, with request it be repeated to Department:

*Eweter* arrived 10 a. m., today. Took all Americans wishing to go, 80 in number and about 80 other foreigners including 30 Germans, Belgians, South and Central Americans and Porto Ricans. Among these were Consul General of El Salvador and family, Consul General of Guatemala and family, wife and three children and mother-in-law of Franklin, and wife and two children of Consul Braddock. Ship was to leave at 6 p. m., today.

Consul at Barcelona communicated with Consul at Valencia today who said Valencia in hands Communists but Civil Government acting with strong hand and controlling the situation. American lives and property safe. Tarragona Consular Agent safe. Informs nearly all Americans left on British steamer. No anxiety for remaining Americans. End message from Barcelona.

Wendelin states that American newspaperman who has visited northern front with Governmental troops returned early this morning and reports that apparently Government troops can hold back rebels in north for many days.

Madrid continues to be quiet. There are now 140 Americans in Embassy not counting members of the staff. Every precaution taken to afford proper medical and sanitary assistance.

Water supply assured by large reserves and by guard posted to protect main supply. Food now ample for 2 weeks for all people there.

Unable to ascertain name of American woman wounded at Guadarrama; communication cut off there because of being in fighting zone. However, Director of General Security states that as she is in the sanatorium she is in the safest place there.

It is reported that direct cable communications with America has been reestablished but no cables received by Embassy.

Wendelin suggests Department try cabling direct.

STRAUS

852.00/2262 : Telegram

*The Consul at Bordeaux (Finley) to the Secretary of State*

BORDEAUX, July 25, 1936—9 a. m.  
 [Received July 25—8:50 a. m.]

British and French destroyers commenced the evacuation of foreigners from San Sebastián last night landing a considerable number

unexpectedly at St. Jean de Luz about midnight. Before Vice Consul Cussans could reach St. Jean de Luz from Hendaye several boatloads had landed and dispersed to hotels. He is working with the French police on a list of the refugees which will be cabled as soon as received. Meanwhile, refugees report no American casualties, and evacuation will probably be completed today.

FINLEY

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852.1115/162g : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, July 25, 1936—6 p. m.

48. In accordance with your request the *Quincy* has been instructed to visit Valencia and Malaga to evacuate Americans as well as Swedes, Cubans and Panamanians. Please acknowledge.

HULL

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852.00/2272 : Telegram

*The Consul at Barcelona (Franklin) to the Secretary of State*

BARCELONA, July 25, 1936—7 p. m.  
[Received July 26—3:25 a. m.]

Please send USS *Quincy* which I understand is at Gibraltar to Barcelona as all communication threatened.

FRANKLIN

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852.00/2272 : Telegram

*The Secretary of State to the Consul at Barcelona (Franklin)*

WASHINGTON, July 26, 1936—noon.

Your July 25, 7 p. m. This message has been transmitted to the Commander of the *Quincy* with instructions to investigate the situation. In view of the fact that the Commander of the *Quincy* will be in constant contact with Washington, and points along the Spanish coast, it is felt that the movement of the *Quincy* should be left to the discretion of its Commander.

HULL

852.00/2280 : Telegram

*The Minister in Portugal (Caldwell) to the Secretary of State*

LISBON, July 26, 1936—1 p. m.

[Received 1:05 p. m.]

24. Telephoned Embassy at Madrid at noon. He requests approval of the Department evacuation Americans by a train if it can be obtained to Valencia, depending on guarantees from the Spanish Government regarding safety line and train and having troops to guard. He received Department's instruction Panamanians, Cubans who will be housed without any bedding and he requests authority to receive Austrians who are without any protection. The case was considered yesterday at a Diplomatic Corps conference.

He states three notices from the Spanish Government yesterday: no person to be arrested if identified passport sufficient; militia no longer to patrol streets regular police only from 9 p. m.; all markets to open, large food supplies expected.

He would like to receive radio from the *Oklahoma* tonight, does not know when transmitting will be possible.

Bitter fighting on other side of mountains but it is believed no progress made by rebels.

On the [*sic*] last night he stated Madrid discipline very good.

CALDWELL

852.1115/74a : Circular telegram

*The Secretary of State to the Ambassador in France (Straus)*<sup>61</sup>

WASHINGTON, July 26, 1936—3 p. m.

Inform Wendelin, American Embassy, Madrid, Department approves evacuation Americans by train if obtainable to Valencia, provided in his judgment it is feasible and provided Spanish Government guarantees safety of line and train and provides adequate guard and all other necessary steps to ensure safety Americans. He is authorized extend protection Austrians in his discretion.

HULL

852.00/2269 : Telegram

*The Consul at Vigo (Corcoran) to the Secretary of State*

VIGO, July 26, 1936—4 p. m.

[Received July 26—1:55 p. m.]

Military authorities as result of public insult offered me in street by uniformed armed Fascist in company with others have broadcast

<sup>61</sup> Sent also to the Legation at Lisbon, referring to telegram No. 24, July 26, 1 p. m.; to the U. S. S. *Oklahoma*, adding: "Advise *Quincy*"; and to the Embassy at Madrid.

public apology following vigorous protest. Representatives of republics regarded by Fascists and certain of military as enemies in the same class as Communist extremists. Feel more secure as result of incident and apology. Conduct Vice Consul Stewart and staff admirable. Situation tense but believe military willing and able at present to protect us and our families.

CORCORAN

852.00/2276 : Telegram

*The Consul at Bordeaux (Finley) to the Secretary of State*

BORDEAUX, July 26, 1936—4 p. m.

[Received 4:52 p. m.]

I have talked with Bowers by telephone and have delivered Department's message July 25, 8 p. m.<sup>62</sup> He wished following transmitted to Department.

"All Americans have been taken out of San Sebastián and Bilbao. Apparently no need in Barcelona yet. British ships cooperating with us and there are many of them in Barcelona.

Think it important that the *Cayuga* should be in reach of the Embassy when not on a mission so that we can communicate with Washington by radio.

Because of the impossible conditions in San Sebastián, I have transferred the Embassy personnel to Fuenterrabia. Every consideration is being shown us.

Yesterday I personally secured the release of two Americans who were in prison at Irun having been summoned to the jail by the Mayor. Greatest courtesy shown. It has been impossible for any Legation or Embassy to communicate with Madrid for the past 5 days. Am trying to get through."

I suggested to the Ambassador that we can transmit his messages to the Department if that method better suits his convenience.

FINLEY

123 Bowers, Claude G/73 : Telegram

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

PARIS, July 26, 1936—9 p. m.

[Received July 26—7:30 p. m.]

660. Hallett Johnson, First Secretary of Embassy, Madrid,<sup>63</sup> and Captain Griffiss, Assistant Military Attaché, Paris and Madrid, have just telephoned me 8:30 p. m. from St. Jean de Luz. They both urge that the Department should immediately by radio to the *Cayuga* order Ambassador Bowers and his household to leave Fuenterrabia where

<sup>62</sup> Not printed.<sup>63</sup> An error; he was Counselor of Embassy.

they are now living and come to France. Ambassador Bowers is now completely out of touch with the situation throughout Spain, is isolated, and according to Johnson and Griffiss may within 24 or 48 hours be in serious danger. Bowers, according to Johnson, has stated that he would remain at his post unless some emergency arose. In the opinion of Johnson and Griffiss that emergency has arisen. The *Cayuga* is now at St. Jean de Luz having brought there all Americans from San Sebastián, including all members of the Embassy staff who have been in San Sebastián, as well as Dutch and Norwegian Ministers and many other diplomats. In San Sebastián anarchy reigns. There is fighting in the streets and bombardments every day and if the rebel soldiers capture it there will be terrible bloodshed because there is no sparing of life. Bowers at Fuenterrabia is only 15 miles from San Sebastián, and, though Fuenterrabia has up to the present time been quiet, since yesterday there is much activity around him. Both rebels and Government troops are concentrating in that neighborhood, the rebels in preparation for an attack on San Sebastián in the course of which Fuenterrabia and Irun would be the scene of very severe fighting. Griffiss and Johnson are starting back to Fuenterrabia tomorrow night on the *Cayuga* and urge that the Department should have a radio to the *Cayuga* before they reach Fuenterrabia so that they can present the Department's command to the Ambassador and take him off on the *Cayuga* to France while there is still time. Johnson suggests that if Ambassador Bowers had his headquarters in the American Consulate in Biarritz he could much better take care of American interests than he can from Fuenterrabia. Griffiss saw Bowers yesterday. He and Mrs. Bowers are well and have plenty of food. Kindly immediately telegraph receipt of this telegram.

STRAUS

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123 Bowers, Claude G/75 : Telegram

*The Secretary of State to the Ambassador in France (Straus)*<sup>64</sup>

WASHINGTON, July 26, 1936—8 p. m.

256. Your 660, July 26, 9 p. m. I have talked with Schoelkopf<sup>65</sup> at St. Jean de Luz, this evening and told him that Ambassador Bowers has my authorization to leave Fuenterrabia for France or elsewhere and should not remain on endangering himself and family.

HULL

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<sup>64</sup> Sent to U. S. S. *Oklahoma* and *Cayuga* for their information.

<sup>65</sup> Walter H. Schoelkopf, First Secretary of Embassy in Spain.



852.00/2300

*Memorandum by the Secretary of State*

[WASHINGTON,] July 27, 1936.

The Spanish Ambassador<sup>66</sup> called on his own initiative to repeat to me what he had said some days ago to Mr. Culbertson of the Western European Division, to the effect that he was at our service here in every possible way at all times in connection with the trouble now taking place in Spain and of our interest in the safety of American nationals there. I thanked the Ambassador very earnestly and, while expressing my regret that his country had its difficulties, I was very careful not to intimate the slightest bias in favor of or against either of the two groups which are parties to the civil war in Spain.

I inquired of the Ambassador what he knew about the present state of conditions in Spain, and he replied that, while it was difficult to get actual facts, it was his understanding that the Government now had the upper hand in most parts of Spain except the southern portions. I inquired as to the possibility of a train being run with safety from Madrid to Valencia, and the distance. He answered that that was the one route out of the country which was not molested by some kind of armed forces and that he thought it would be feasible for a train to be run to Valencia in safety. He said the distance was from 200 to 240 miles and that they had a good railroad running between these points. I inquired as to the extent of military armaments or equipment on the part of both factions engaged in the present civil war. The Ambassador said he knew nothing about the extent to which both sides could secure arms and ammunition but that he assumed that the Government forces would have better opportunities to secure armaments and supplies than the revolutionary forces. He said that the navy was loyal to the Government. I then inquired as to the extent to which the army was split in this controversy, to which he replied that he simply could not undertake to say.

I informed the Ambassador as to the situation of our Ambassador and his associates in the San Sebastián locality, adding that I thought they were all on the French border by this morning, on account of the intense fighting taking place not only at San Sebastián but about the community five miles away where Ambassador Bowers had been residing.

The Ambassador said he received a telegram last night (Sunday) which was dated 11 o'clock, and which came to him within about an hour, from Madrid. I indicated to him that we had received no cable direct from Madrid recently and that I would be glad if he would check on this matter and let us know.

<sup>66</sup> Don Luis Calderón.

I inquired as to how long this civil war condition would continue, and the Ambassador replied that no matter which side might gain the upper hand, some time would be required to restore quiet and orderly conditions.

I inquired whether the water supply had been cut off and how far the source of the water supply was from Madrid, to which the Ambassador replied that, while the opposition had come within 35 to 45 miles of Madrid from certain directions, the water supply, which is located 35 miles northeast of Madrid, had not been interrupted so far as he was able to ascertain. He said that his telegram of last night from Madrid stated that the Americans were all well and safe. I thanked the Ambassador very earnestly for this information and again for his offer to cooperate.

C[ORDELL] H[ULL]

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852.00/2291 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

ST. JEAN DE LUZ [undated.]  
[Received July 27, 1936—3:45 p. m.]

Since unable to communicate have proceeded St. Jean de Luz, France, Golf Hotel, in order to confer with colleagues there. Shall return Fuenterrabia tomorrow and spend part time in each. Send cables mail St. Jean. Request *Cayuga* be kept my sole disposition. If necessary transship cadets other ship at St. Jean.

BOWERS

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352.1115/136 : Telegram

*The Secretary of State to the Consul at Vigo (Corcoran)*

WASHINGTON, July 27, 1936—10 p. m.

Your July 27, 1 p. m.<sup>67</sup> The *Cayuga* with Ambassador Bowers aboard is proceeding starting July 28 along the north coast of Spain to Vigo, evacuating any Americans found at points along the coast.<sup>68</sup> I am not, of course, in a position here to judge the immediate situation in your district or at your post and I must therefore leave very much to your discretion the question of whether your office should be closed prior to the arrival at Vigo of the *Cayuga*. I do feel, depending of course on the judgment of the officers concerned, that in order to

<sup>67</sup> Not printed.

<sup>68</sup> A telegram from the U. S. S. *Cayuga*, received August 5, 1:45 p. m., stated that the Ambassador had left the *Cayuga* to return to the office at St. Jean de Luz, France (852.00/2418).

reduce the number of persons subject to danger, it would be well for the families of all our officers to be evacuated if and when opportunity presents. So far as I can determine, there may still be Americans inland who have not been able to reach any point from which they might be evacuated. So long as there appears to be likelihood that officers can render assistance to any of these nationals who may be stranded inland, it seems to me that our Consulates should be kept functioning. I do not expect, of course, that any officer should uselessly risk his life in order that his Consulate be kept open. If the continued maintenance of your office subjects you to useless risk and you feel you can be of no further service to Americans who may be in your district, you have my authority to close your office. Due provisions should be made for the safeguarding or destruction of codes, seals, confidential archives and so forth.

HULL

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352.1115/151 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, July 28, 1936—1 p. m.

[Received 4:05 p. m.]

X-4. Department's circular telegram of July 26 and No. 50, July 27, 1 p. m.<sup>69</sup> Diplomatic Corps Madrid, acting jointly under Chilean Ambassador as Acting Dean, has demanded and received formal guarantee protection life and property members of Diplomatic and Consular Corps and foreign residents in Madrid. Also guarantee that missions would be permitted to communicate with their Governments by all available means.

Possibility of joint evacuation foreigners by rail to Valencia or Alicante being considered. Formal request made to Government last night that special train be authorized to leave Thursday morning for Valencia or Alicante with formal guarantee by Government of safety and adequate protection. Reply promised today. Will communicate further.

WENDELIN

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352.3515/1 : Circular telegram

*The Secretary of State to All American Consular Officers in Spain*<sup>70</sup>

WASHINGTON, July 29, 1936—5 p. m.

At the request of the several governments you are authorized to extend insofar as the circumstances permit your facilities for protec-

<sup>69</sup> Telegram No. 50 not printed.

<sup>70</sup> Sent also to the Embassy at Madrid as telegram No. 56, July 29, 5 p. m.

tion and if necessary evacuation to the nationals of Argentina, Austria, Belgium, Chile, Cuba, Finland, Panama, Sweden and Turkey.

HULL

352.1115/203 : Telegram

*The Consul at Barcelona (Franklin) to the Secretary of State*

BARCELONA, July 29, 1936—5 p. m.

[Received 9 p. m.]

Referring to my telegrams July 21, 10 a. m.<sup>71</sup> and July 25, 1 [??] p. m., President of Cataluña informs me that during these first days of revolution impossible guarantee protection Americans in Barcelona and suggests advisability of foreign ships coming to Barcelona with idea of taking those foreigners desirous of leaving city. Every facility in port for such purposes. All normal means of transportation and local communication paralyzed. Protection also promised those Americans travelling by car to France. French Consul General evacuating French citizens by ship and motor caravan. There is little control maintained over armed groups patrolling city recklessly and these groups consist of extreme radical elements. Please advise Embassy at Madrid.

FRANKLIN

352.1115/280c : Circular telegram

*The Secretary of State to All American Consuls in Spain*<sup>72</sup>

WASHINGTON, July 29, 1936—6 p. m.

In view of the serious conditions existing in Spain which appear to promise no immediate abatement and in view of the apparent lack of adequate security for the lives of American nationals, I feel that it would be wise for American consular officers in Spain to consider the desirability of advising all American citizens within their respective jurisdictions to withdraw to places of safety or to endeavor to reach points from which they can readily be evacuated. Conditions necessarily vary in the separate consular districts and I must consequently leave to the judgment of the individual consular officers concerned whether the situation within their jurisdiction is sufficiently serious to warrant such action.

<sup>71</sup> Not printed.

<sup>72</sup> Sent also to the Embassy at Madrid as telegram No. 57, referring to Department's circular telegram of July 26, 7 p. m. (not printed).

By way of suggestion, such action, if taken, might take the form of a third person circular addressed to American nationals in your consular district stating that in view of the present disturbed situation, the Consulate earnestly advises all American nationals in the district to withdraw.

HULL

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852.1115/201: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, July 29, 1936—6 p. m.  
[Received 10:50 p. m.]

X-7. My telegram No. X-4 of July 28, 1 p. m. Note from Foreign Office to Chilean Ambassador in reply joint request of Diplomatic Corps for special train to evacuate foreign residents Madrid with formal guarantee of safety states: (1) no special requirement, except those which for reasons of security may be established by the Ministries of Interior and War, is necessary in order to make this journey; (2) it is not necessary to determine in advance the time of departure because railway service with Mediterranean ports is functioning normally and trains are leaving on time; (3) it would not be possible at present to organize special trains because of the necessity of giving preference to the transportation of troops, war material and foodstuffs.

Diplomatic Corps met at noon today and decided in view of Government's attitude to seek arrangement with the railroad for additional coaches on regular trains to Alicante and Valencia. As I am in direct touch with manager of the railroad, I am investigating this possibility on behalf of Diplomatic Corps. Railroad is prepared to attach as many additional coaches to daily morning and evening trains as can be carried and will furnish first or third class coaches as desired. Diplomatic Corps meeting tonight to consider feasibility such evacuation and question of safety of passengers en route. Will report further details promptly. Please advise Department's attitude evacuation by this means. Americans who have voluntarily left by train for Valencia and Alicante during past 3 days believed to have arrived safely.

WENDELIN

352.115/4 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, July 29, 1936—8 p. m.  
[Received July 29—7:55 p. m.]

X-9. Reports in American press that Government has confiscated much American property as yet unfounded. Some private automobiles of American citizens have been requisitioned for war purposes. No confiscation of bank deposits but moratorium on loans and limitation of withdrawal.

WENDELIN

352.1115/358b : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, July 30, 1936—2 p. m.

61. Your X-7, July 29, 6 p. m. I think it desirable for you to continue your efforts in cooperation with the rest of the diplomatic corps to obtain safeguards and guarantees with regard to any train or trains used by Americans, who may be evacuated by that means to coastal points. However, since some Americans have safely reached Alicante or Valencia by train and since the railroad has agreed to attach extra coaches to the regular trains, it seems to me that you should formally advise Americans that this means of evacuation is available to them. You should outline to them as many facts as you can obtain with regard to this means of reaching the coast in order that the Americans concerned may be in a position to judge the advisability of endeavoring to get out in this way. You should, of course, make it clear that such decision as they make, whether thus to leave or to stay where they are, must be on their own responsibility. American Governmental agencies will continue to do everything possible on their behalf but cannot guarantee their safety. Even though no guarantees of safety have been obtained from the Spanish authorities, I think that Americans should give most serious consideration to the possibility that even this present means of evacuation may be completely lost to them within a short time.

HULL

352.1115/254 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*MADRID, July 30, 1936—6 p. m.  
[Received July 31—12: 15 a. m.]

X-13. My telegram No. X-7, July 29, 6 p. m. Ministry of State this morning informed Chilean Ambassador representing Diplomatic Corps that Government would authorize extra coaches on regular trains for Valencia or Alicante on condition passports of persons leaving thereon be submitted to it for special visa by War Department. This requirement would delay departure foreign residents for 48 hours. Ministry of State on insistence of Chilean Ambassador agreed to furnish two guards per coach. At the same time Ministry insisted that train service with Valencia and Alicante is functioning normally and "there is nothing to prevent people leaving in a normal way".

In view of recurring delay in early official evacuation foreign residents, Embassy is not opposing departure of Americans on regular trains. All trains to Valencia and Alicante since resumption of service last Monday have gone through on schedule without untoward incident.

We are investigating possibility of reserving coach on regular Valencia train tonight or tomorrow morning for Americans in Madrid who wish to leave. Our considered opinion is that any delay in evacuation means risk of obstruction railroad line by rebels. British taking similar action. Swiss Legation sent group by road to Valencia yesterday, arriving safely. We are also considering this means of evacuation.

[WENDELIN]

352.1115/248 : Telegram

*The Ambassador in Spain (Bowers), Then on the U. S. S. "Cayuga",<sup>14</sup> to the Secretary of State*U. S. S. "CAYUGA" [undated.]  
[Received July 30, 1936—6: 31 p. m.]

8030. Called this morning with Consul and officers of Firestone plant on Civil Governor regarding taking over of plant by Central government to make tires for war purposes. Company was fearful lest attempt be made to compel delivery of secret formulas. Con-

<sup>14</sup> The *Cayuga* was evidently at Bilbao.

ference wholly satisfactory as to formulas and company willing to make the tires desired. Also satisfactorily ironed out misunderstanding about place of embarkation for foreigners leaving. Bilbao practically normal, no armed men in streets, stores opened, papers published. Asturias wholly with government, except Oviedo which is surrounded by 30,000 Loyalist forces who can take it by storm but prefer attempt to starve town into submission to spare lives and property. The Government is sure all foreigners are out of Oviedo. Leaving this evening for Gijon to pick up any Americans there. 2100.

BOWERS

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852.1115/266 : Telegram

*The Consul at Barcelona (Franklin) to the Secretary of State*

BARCELONA, July 30, 1936—8 p. m.  
[Received July 31—9:30 a. m.]

British Admiral informs me that all Americans desiring to leave Palma de Mallorca will be taken on British warship tonight. I assume that Consul Longyear has received this information through the British Vice Consul at Palma de Mallorca as I am not in communication with him.

In view of numerous telegrams received at this Consulate General from interested parties inquiring whereabouts and welfare of Americans in Palma de Mallorca the Department may desire to give this information widest publicity.

FRANKLIN

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852.1115/346 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, August 1, 1936—1 p. m.

63. The following telegram has been sent to all consular officers in Spain:

"This Government is lending its every effort in the protection of American citizens and to afford them means of evacuation from Spain. It appears that a number of Americans for one reason or another have decided not to avail themselves of existing opportunities to be evacuated. It is of course a matter for each individual to determine whether or not he will remain on in Spain or whether he will avail himself of present means of evacuation. Irrespective of the decision of any of our nationals in this respect, the Government will continue its every effort to protect them. However, I feel that each consular officer



should inform Americans in his district that in spite of all the best efforts of this Government to provide means of evacuation, it cannot be assured that conditions will remain in such a state that American vessels may at all times enter Spanish ports for the purpose of evacuating Americans."

In the light of the situation and possible developments in Madrid, I am naturally concerned over the large number of Americans who have decided to remain on there. The decision to remain and the reasons therefor naturally rest with the individual concerned. However, it has occurred to me that there may be in Madrid a number of Americans who for financial reasons have found it impossible or inexpedient to be evacuated. Funds available to the Department are naturally very limited, but if there are Americans in Madrid who would, were they financially able, like to leave, funds can be found to provide for railway fare to the coast and for their reasonable maintenance for a limited period of time at some foreign port, say Marseille. Naturally you would be expected carefully to see that this plan is not abused by people not in actual need. I wish you would make this information known to Americans in actual distress or need in Madrid.

I would like also to know how many Americans in Madrid are (1) citizens of the United States proper; (2) of Puerto Rico, and (3) of the Philippines. Thus in case nationals there are in financial need the Department could on receipt of their names and of their relatives endeavor to obtain funds for them from those relatives.

HULL

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352.1115/323 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 1, 1936—1 p. m.  
[Received August 1—12:40 p. m.]

X-22. My telegrams numbers X-15 and X-16 [X-17] of July 31, 5 and 7 p. m.<sup>76</sup> One hundred and eleven Americans safely evacuated from Madrid to Valencia by train. Most of them on board U. S. S. *Quincy* sailing at 1 p. m. today for Marseille. Remainder have left Valencia by rail to base [*sic*] and France or by steamer. Seventy-one Americans now in Embassy. Approximately 107 outside of Embassy in Madrid have not availed themselves of this opportunity to evacuate.

WENDELIN

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<sup>76</sup> Neither printed.

852.00/2348 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, August 1, 1936—6 p. m.

[Received 9:40 p. m.]

X-23. Committee representing Diplomatic Corps, Madrid composed of Chilean Ambassador, Ministers of Denmark, Jugoslavia, Turkey, conferred with Barcia, Minister of State, July 31, 6 p. m. Received additional formal assurances Government's intention to protect lives and property foreign missions, and residents in Madrid. Committee also called Minister's attention to statements in local press likely to incite resentment against foreigners and especially diplomatic missions. The Minister immediately gave orders by telephone in presence of committee to Ministry of Interior that hereafter no reference to foreign missions or colonies should be permitted in the press. Lack of such reference in this morning's press indicates compliance with this order. At meeting of Diplomatic Corps noon today, Government's assurances and action on above two points accepted as satisfactory.

Formal note will be presented to Government today by Chilean Ambassador representing [apparent omission] requesting (1) that automobiles property of foreign residents be not requisitioned and (2) that those already requisitioned be returned immediately. It is understood that each mission reserves the right to take further action individually in this regard. As far as known only one automobile property of an American citizen requisitioned at present. Several others seized few days ago have been returned.

Diplomatic Corps will meet every 3 days hereafter instead of daily unless emergency develops.

WENDELIN

352.1115/346 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, August 2, 1936—9 p. m.

[Received August 3—4:15 a. m.]

X-27. Department's telegram No. 63 of August 1, 1 p. m. and circular to Consul Madrid of August 1, 1 p. m.

Forty-six citizens of the United States proper now in Embassy plus 16 of Puerto Rico and 11 of the Philippines; 77 citizens of the United States proper in Madrid outside of Embassy plus 25 of Puerto Rico and 19 of the Philippines. The above list is not final as American

citizens not known to the Embassy or Consulate are constantly reporting. There may be as many as 50 more American nationals in the Madrid Consular district including some from Puerto Rico and Philippines who have not yet reported.

All Americans wishing to leave Madrid have already been evacuated via Valencia. Those who remain are unwilling or unable to avail themselves of the present opportunity to leave because of personal or business ties or insufficient financial means. All Americans in the Embassy and those outside as quickly as possible are being requested to sign a brief statement of their motives for not availing themselves of the present opportunity to evacuate. Pending completion of these statements I have not thought it wise to make public the fact that funds may be available to pay railroad fare to the coast and reasonable maintenance abroad for a limited period of those in financial need. I shall report further in this connection within 24 hours and shall evacuate those in financial need and willing to leave in strict accordance with the Department's telegraphic instructions.

WENDELIN

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352.115/5 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, August 3, 1936—6 p. m.

69. Your X-23, August 1, 6 p. m. Department is concerned with reports of actual or possible interference with American property in Spain.

Press reports under Madrid date line of August 2 state that the Ministry of Industry and Commerce have revealed that "All Ministry of Industry and Commerce provisional measures probably will become permanent because a new State must be created in accordance with the circumstances through which the Republic is passing" and that "the seizure of abandoned factories is permanent and no appeal will be admissible".

Advices from Consul at Barcelona reported in your X-18 of July 31, 8 p. m.,<sup>77</sup> indicate that plants belonging to Ford and General Motors have been taken over and are being operated.

A telegram of August 1 from Consul at Bilbao<sup>77</sup> indicates that American property in that vicinity may be in possible danger of seizure by armed Syndicalists who on many occasions have taken private automobiles and other property (not American) with impunity.

This Government cannot admit that private property, whether in the hands of American nationals or abandoned by them temporarily

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<sup>77</sup> Not printed.

because of conditions over which they have no control, may be interfered with with impunity or denied the protection to which it is entitled under international law. This Government must, of course, look to the Government of Spain for the protection of such property and for indemnification for any delinquency in this respect.

In the event of requisition for the necessities of war or otherwise of American property this Government must insist that provision be made for prompt and full compensation to the owners.

You should make this Government's position entirely clear to the Spanish Government and keep the Department fully informed of any requisitions, confiscations or interferences with private property that have already taken place or that may later take place, whether by the Government, by those opposing it, or otherwise.

HULL

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852.1115/392: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 4, 1936—10 a. m.

[Received 11:50 a. m.]

X-28. Department's telegram No. 63 of August 1, 1 p. m. Very few Americans financially unable to leave. A few have no funds to maintain themselves outside of Spain and no relatives who could assist them once evacuated. A number of others have sufficient funds in pesetas but cannot obtain foreign exchange. The Minister of Finance personally assured me last evening that foreign exchange would be made available for these people on formal request of Embassy and I am making this request immediately. Most all Americans in Embassy do not wish to leave for business or family reasons. We are strongly urging all such persons at least to evacuate their families. Five Americans including three Philippine nationals left on train last night for Valencia and will proceed to Marseille on British vessel. Those leaving last night included Isauroga Baldon, former Philippine High Commissioner in Washington.

WENDELIN

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125.1673/406: Telegram

*The Consul at Barcelona (Franklin) to the Secretary of State*

BARCELONA, August 4, 1936—6 p. m.

[Received August 5—9 a. m.]

Your telegram July 24, 4 p. m. Kindly instruct whether I should submit any claim for indemnification and if so form and amount for

death of clerk Santiago Iturralde previously reported. The British Consul General has informed me that he intends filing a claim for the British subject involved in the same incident and wishes to know what I am going to do.<sup>79</sup>

FRANKLIN

852.00/2396 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 4, 1936—7 p. m.

[Received 11:15 p. m.]

X-30. Meeting of Diplomatic Corps this afternoon largely devoted to discussion safety of diplomatic missions and interpretation of right of asylum. Because of rumor that armed militia may attempt to invade missions to search for Spanish Monarchists and Fascists, Chilean Ambassador addressed note to Minister of State, August 3, stressing the serious consequence of any such attempt and requesting that the Government take whatever measures may be necessary to prevent their realization. No reply yet received.<sup>80</sup>

In general discussion of right of asylum, Danish Minister, Portuguese Chargé d'Affaires, and Chilean Ambassador, in particular, maintained broadest possible interpretation, insisting that diplomatic missions could give asylum to anyone not a fugitive from justice without advising Spanish Government. Thus far, I have admitted no one into this Embassy not an American citizen or national. . . . British Government has now instructed Embassy that "safety of British subjects must be your first consideration and you must refuse admission to any Spaniards whose presence is likely to increase danger".

Referring to Department's telegram No. 56 of July 29, 5 p. m.,<sup>81</sup> Cuban Chargé d'Affaires and other Latin-American diplomats have now approached me regarding possible refuge here in case of emergency for themselves and their families. In strict confidence their attitude appears to me extraordinary in view of the fact that their nationals are under their own protection in their missions and have not requested admission to this Embassy. Cuban Chargé d'Affaires, in fact, assured me several days ago that he has ample space in his

<sup>79</sup> By telegram of August 6, 6 p. m., the Department instructed the Consul not to submit any claim for indemnification in the death of Santiago Iturralde. In a further telegram of September 10, 1 p. m., the Department informed the Consul that, while deploring the incident in question, it could not properly present a claim against the Spanish Government on account of the death of a Spanish national (852.00/3012).

<sup>80</sup> The reply, dated August 4, not printed; it reiterated the Spanish Government's previous assurances of protection for the lives and property of foreign missions (852.00/2725).

<sup>81</sup> See footnote 70, p. 649.

Embassy for Cubans and offered facilities there for Americans. Request instructions amplifying section 7-6 Instructions to Diplomatic Officers with reference to above contingency, and also possibility we may be besieged with requests for admission from nationals of other countries in event of serious crisis.

Total American nationals in Embassy, 86; outside Embassy in Madrid approximately 130; thus far evacuated 114. This includes 16 of Puerto Rico and 13 of Philippines in Embassy and approximately 29 of Puerto Rico and 19 of Philippines outside. We have adequate housing facilities for 130 people and we can improvise sleeping facilities for balance of American nationals in Madrid who would come here in case of emergency. We have balanced rations on hand for 100 persons for 15 days and will increase this immediately to 3 weeks. If, however, nationals of other countries were admitted we could provide no sleeping facilities and food supply would be correspondingly shortened.

WENDELIN

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852.00/2430

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 5, 1936—2 p. m.

[Received 9:25 p. m.]

X-32. Since beginning of revolution I have made every possible effort to assure safety of Embassy, Consulate, offices Military and Commercial Attachés, and residences American Government officials and private citizens. When crisis began July 19, Embassy had only two police guards and Consulate none. I have continually insisted with police and military authorities that additional guards be furnished and on July 21 obtained two guards for Consulate, on July 23 two additional for Embassy, on July 26 two more, and on August 2 another pair. We now have eight uniformed police guards on duty at Embassy, plus two at Consulate. Police have offered armed militia guards but I have rejected them insisting that only uniformed guards from official corps be furnished. Police guards in uniform particularly necessary to escort Embassy cars. I understand that some diplomatic missions now have armed militia guards and this situation is causing general concern.

Government and police authorities have done everything possible to give Embassy police protection we consider necessary and at my request have now ordered guards here to remain permanently instead of relieving them twice daily as heretofore. With this permanent detachment we can better organize defense and win their personal loyalty.

Primary concern is that guards may be withdrawn if desperate need arises but Director General of Security and Minister of Finance, latter apparently in charge at Ministry of War, have assured me personally that our guards will not be withdrawn under any circumstances.

WENDELIN

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852.00/2396 : Telegram

*The Secretary of State to the Third Secretary of Embassy  
in Spain (Wendelin)*

WASHINGTON, August 5, 1936—4 p. m.

70. Your X-30, August 4, 7 p. m. In view of the fact that Americans now in the Embassy and outside are more than sufficient to tax the facilities of the Embassy, there is no alternative but to discourage requests for providing refuge to other than American nationals, and this is especially true in those cases where nationals of other countries have places of diplomatic refuge in Madrid. While we are of course anxious to render every possible help to nationals and diplomatic representatives of Latin American and other countries, we could not throw open the doors of the Embassy so as to further jeopardize the safety and means of protection for our own nationals. In extreme circumstances where the immediate question of life is at stake you should of course extend such protection as the limitations of the Embassy permit. You have handled the Madrid situation extremely well and I am sure I can rely on your judgment as how best to meet this situation should it arise.

HULL

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852.115/7 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, August 5, 1936—8 p. m.

[Received 9 : 25 p. m.]

X-33. Department's telegram No. 69 of August 3, 6 p. m. Personally presented formal note to Sub-Secretary of State today setting forth Department's position regarding interference with American property and insistence on prompt and full payment for any property requisitioned for necessities of war or otherwise. Sub-Secretary promised immediate and sympathetic consideration and stated that he would immediately request Minister of Industry and Commerce for explanation of his reputed statement quoted by Department. The statement in question appeared in the local press several days ago.

I asked the Sub-Secretary if he had any objection to the Embassy furnishing certificates American firms in Madrid to be displayed at

their places of business; that in future no goods may be taken or requisitioned therefrom without written authority from the Government and immediate payment therefor. While declining to make a formal reply, he made no objection when I pointed out that surely the Spanish Government would not permit unauthorized seizure of American property and non-payment therefor if requisitioned. German Embassy has already issued such certificates and informed me today that in at least two instances this measure has prevented seizure of property of German nationals.

We have already furnished certificates to protect residences of Americans and are issuing similar ones to American owners of automobiles requesting that their property be respected. Thus I am glad to report that no American property is known to have been requisitioned or seized in Madrid except several private automobiles all of which have been recovered except one. Consul Franklin, Barcelona, reports similar record there, except for taking over of Ford and General Motors plants previously reported. Will transmit Ministry of State's reply to my note today as soon as received.

WENDELIN

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852.00/2451 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 6, 1936—3 p. m.

[Received August 6—3 : 35 p. m.]

X-34. Department's telegram No. 70, August 5, 4 p. m. Diplomatic Corps meeting today discussed protection nationals of those countries whose missions are thought to be inadequately protected or unable to house their nationals. It was agreed that the Chilean Ambassador as Acting Dean should request authorization from the Government to take over a large apartment building near the British Embassy in which all those nationals would be housed and be assured of adequate protection. I believe this arrangement if put into effect will solve the problem of possible admission diplomatic representatives and nationals of other countries into this Embassy.

WENDELIN

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852.1115/526 : Telegram

*The Consul at Malaga (Graves) to the Secretary of State*

MALAGA, August 7, 1936—6 p. m.

[Received August 7—3 : 25 p. m.]

Respecting evacuation of some 400 foreigners reported to be in Granada. Since Malaga and Granada are in the hands of opposing fac-



tions, the Department's intention is respectfully invited to the practicability of the United States, French, British, German and Italian Governments making a joint request of the Government at Madrid to instruct the Provincial Government of Malaga to make every facility available to assist in the evacuation of the foreigners from Granada. At the same time, through the respective Consuls, the foreign governments could request similar cooperation from the rebel Government at Seville by requesting it to instruct their forces at Granada to lend assistance in the evacuation. The idea is that the foreigners should pass through the contending lines under a flag of truce, each side cooperating and extending assistance. Naturally the contending sides would have to be assured that trucks or buses made available for the purpose would be allowed to return to the forces furnishing them.

Possible routes of evacuation would be from Granada to Malaga via Loja or from Granada to the port of Motril where foreign warships would be waiting. Although it is not known to me, it is possible that evacuation from Granada might better be attempted through Cordoba and Seville.

I have discussed the entire question with my British, French, German and Italian colleagues and they are in agreement with me. We all feel that we are helpless to do anything locally.

GRAVES

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352.1115/553a : Telegram

*The Secretary of State to the Consul at Malaga (Graves)*<sup>83</sup>

WASHINGTON, August 8, 1936—2 p. m.

Socony-Vacuum Oil Company of New York is today sending British registered airplane *Gaeco* owned by Gordon Selfridge, Jr., pilot de Sibour, from London to Tangier to meet company's representative there who is now making arrangements to evacuate by airplane Americans and perhaps other foreign nationals stranded in Granada. Please inform local military authorities.

HULL

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852.1115/550 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 8, 1936—7 p. m.

[Received 9:30 p. m.]

X-39. My telegrams numbers X-28 and X-31<sup>84</sup> of August 4, 10 a. m., and August 5, noon. Twelve American nationals left by train

<sup>83</sup> Sent also to the Embassy at Madrid (No. 75) and to the Consul at Seville.

<sup>84</sup> No. X-31 not printed.

for Valencia last night arriving safely and taken aboard British cruiser this morning. Dollar exchange was obtained for most of these people by arrangement reported in my telegram No. X-31. One American citizen and one Filipino national without financial means were advanced 75 pesetas each including cost railroad fare to Valencia. Family of Consul Johnson and several other Americans leaving by plane for Marseille next Monday.

There are now 80 American nationals in the Embassy of whom 14 from Puerto Rico and 11 from Philippines, and 131 in Madrid outside of the Embassy, of whom approximately 30 from Puerto Rico and 20 from Philippines. Americans remaining in Madrid nearly all permanent residents and are not inclined to leave unless local situation becomes more serious. I have warned them that at a later date means of evacuation may not be available to them and have urged them to leave immediately. Those who remain know that they are doing so on their own responsibility.

WENDELIN

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352.1115/554: Telegram

*The Consul at Malaga (Graves) to the Secretary of State*

MALAGA, August 9, 1936—5 p. m.

[Received 5:09 p. m.]

Department's August 8, 2 p. m. I have informed local military commander substance Department's instruction, as well as telegraphing substance thereof to military commanders at Almira and Jean. In order to attempt to assure protection to airplane and to prevent it being fired upon, military commander Malaga states that he must be previously advised of the day, hour and exact route made to each passage of airplane over Government lines. Considering ever shifting military scene, military commander states that airplane should not take off without his knowledge and his instructions as to signs or movements which airplane should make in order to show that it is not a rebel airplane. He advises that the flight over the land be as short as possible and suggests route Granada-Motril and then over sea to Tangier. I, of course, assume that all arrangements have been made with rebel authorities at Granada since I have no communication with that city or with rebel authorities. At the best I think it impossible for any effective assurance to be given that the airplane may not be fired upon.

GRAVES

352.1115/558 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 9, 1936—6 p. m.  
[Received August 10—12:10 a. m.]

X-43. My telegrams numbers X-39 and X-40 of August 8, 7 p. m. and August 9, 11 a. m.<sup>85</sup> All Americans here have been urged to take advantage of what may be last opportunity to be evacuated on Cruiser *Quincy* next Tuesday, leaving Madrid night train August 10. Am in touch with *Quincy* through Valencia and if any number decide to leave tomorrow *Quincy* will return to Valencia Tuesday morning. Situation here more threatening last 2 days with much firing in neighborhood of Embassy last 2 nights. This development has determined some of the people now here to leave now. Estimate 15 or 20 will leave tomorrow night. Am keeping in close touch with Valencia and may route party to Alicante if conditions there warrant such move.

Military situation in mountain passes north of Madrid little changed during past 2 weeks but failure of Government to gain control of passes and replacement of Minister of War and commander on this front believed highly significant. Reports that strong rebel columns advancing from south and north in Extremadura, if true, constitute very serious threat to Madrid Government. Air raid on Madrid from south expected at any time and precautions taken here against this possibility have evidently alarmed populace.

Germans now evacuating nationals here with all speed by train and special planes. About 200 British and same number Italian nationals still in Madrid.

WENDELIN

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352.1115/655a : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, August 10, 1936—7 p. m.

76. The following telegram, dated August 10, 4 p. m., has been received from Ambassador Bowers:

“British Ambassador informs me British Government has urged all British subjects to leave Spain and has authorized British officials Madrid and all other Spanish cities to leave after evacuation of all

<sup>85</sup> Latter telegram not printed.

British subjects who wish to go provided situation becomes untenable. British Vice Consul Gijon already evacuated.

"Italian Ambassador tells me all have been asked to leave Spain and that Italian consulate officers Barcelona now on Italian ship in harbor believe all American women should be asked to leave Madrid at once."

I cannot urge too strongly that all American citizens who can possibly do so take advantage of the present facilities to proceed to places of safety and I assume that you are continuing to urge them to do so.

I leave to your discretion the matter of your own departure and that of other officials of the Government in Madrid. You are, of course, authorized to depart if and when you consider it no longer safe to remain.

PHILLIPS

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352.1115/661a : Telegram

*The Acting Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, August 11, 1936—2 p. m.

Socony-Vacuum Oil Company have issued instructions to de Sibour, pilot of airplane *Gaecz* to suspend further flights to Granada pending outcome of project now understood to be on verge of adoption for the mass evacuation by train and bus of foreigners in Granada.

De Sibour left Tangier for Seville at 3 P. M. today. Inform him if possible and request him to return to Tangier.

PHILLIPS

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352.1115/630 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 11, 1936—6 p. m.

[Received 11:05 p. m.]

X-47. Department's telegram No. 76, August 10, 7 p. m. British Government several days ago authorized officials at Madrid to leave if situation sufficiently serious. British representative here informed his Government situation did not justify such action and he did not intend to leave although he is endeavoring to evacuate as many British subjects as possible.

From the moment that rail communication was reestablished with Valencia and Alicante, and I felt reasonably sure of the safety of the line, I have not ceased to urge Americans here to leave. As reported in my telegrams Nos. X-27<sup>86</sup> and X-28, of August 4 [2], 9 a. m. and

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<sup>86</sup> Telegram No. X-27 not printed.

August 4, 10 a. m., most of the Americans still in Madrid are disposed to remain because of business or family ties. In such cases I have repeatedly urged that at least women and children be evacuated and some results have been obtained as shown by the fact that all except one of the 38 people who left Madrid last night were women and children (my telegram No. X-46, August 11, 5 p. m.<sup>87</sup>). By special authority obtained from the Minister of Finance, as reported in my telegram No. X-31 of August 5, noon,<sup>87</sup> all Americans in need of dollar exchange have been supplied with travellers checks or bank drafts through the International Banking Corporation, Madrid, at the official peseta rate of exchange. This arrangement makes it possible for many people to leave who otherwise could not or would not do so.

304 persons without financial means have been advanced funds under authorization Department's telegram No. 63 of August 1, 1 p. m. to cover cost of railroad fares to Valencia and a small additional amount for incidental expenses as far as Marseille. Very few people without financial means are, however, willing to leave under this arrangement because of fear that they will be stranded in France without means of support if present situation in Spain continues any length of time. These people have their only source of income in Spain.

WENDELIN

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852.1121 Trapote, Manuel S./1: Telegram

*The Consul at Vigo (Corcoran) to the Secretary of State*

Vigo, August 12, 1936—11 a. m.  
[Received August 12—9:45 a. m.]

Manuel Santiso Trapote, American citizen, arrested here August 10. Two days of protestation and efforts to have him released have been fruitless but I hope to have some decision today.<sup>88</sup> As a result of my efforts in his behalf received today anonymous letter purporting to come from Communists threatening my death at an early date. Contents prove that it was written at Fascist or military headquarters as it divulges facts only known to military. The letter states that despite the fact that I have heretofore helped Communist cause I have now betrayed it and am marked.

This is a hint from the military as to how they will attempt to exculpate themselves in such an event. Military has assigned me personal guards but in these I have little faith.<sup>89</sup>

CORCORAN

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<sup>87</sup> Not printed.

<sup>88</sup> For further information concerning Trapote, see telegram of October 17, 1 p. m., from the Consul General at Lisbon, p. 739.

<sup>89</sup> Upon receipt of the Department's authorization, August 12, 6 p. m., to depart to a place of safety, the Consul informed the Department on August 13 that he was sailing on the *Austrias* for Southampton on August 15, leaving Vice Consul Stewart in charge of the Consulate (123C814/298, 299).

352.1115/681c : Telegram

*The Acting Secretary of State to the U. S. S. "Oklahoma"*

WASHINGTON, August 12, 1936.

Your telegram transmitting message from American Consul at Seville<sup>90</sup> regarding evacuation of Americans from Granada.

We are unable to say definitely whether proposed evacuation of Americans by military plane would conflict with any other plans. We have authorized our officers at Madrid and Malaga to cooperate fully with their colleagues and local officials in any plan of evacuation which appeared to them to be feasible but we are without information as to the present status of any such plans.

While we are extremely desirous of evacuating Americans, we cannot refrain from pointing out that the suggested use of a military plane from Seville would appear to be hazardous, particularly in view of the fact that the afternoon newspapers in Washington report that Government planes are bombing Granada. In the absence of an effective truce scrupulously adhered to by both sides, it would appear highly dangerous to attempt to evacuate Americans from Granada by military plane from Seville.

Please transmit this message immediately to American Consul at Seville.

PHILLIPS

352.115/23 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 12, 1936—8 p. m.  
[Received August 13—6: 18 a. m.]

X-50. Embassy has been approached by Spanish importers requesting protection stocks of merchandise on hand purchased outright in United States and for which American shippers have not received payment due to exchange restrictions or other causes. It is our understanding title to such stocks has passed to Spanish importers and that therefore our protection cannot properly be extended. Please advise whether this understanding correct.

Consul Barcelona advises Spanish ship *Marcaribe* of Nervion Line arrived there with American goods on board and must begin unloading within 3 days. Consul will attempt to prevent unloading if interested shippers will so instruct by cable. Suggest pertinent instructions be given Consuls other Spanish ports regarding possible American shipments now en route.

WENDELIN

<sup>90</sup> Not printed.

352.115/22 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 12, 1936—9 p. m.

[Received August 13—5:22 a. m.]

X-51. Department's 69 of August 3, 6 p. m.; my telegram No. X-33 of August 5, 8 p. m. Saw Under Secretary of State this afternoon and pressed for early reply to note presenting Department's position on protection American property and indemnification if requisitioned. Under Secretary declared Ministry of State awaiting reply from Minister of Industry and Commerce regarding statement attributed to him and would advise me shortly.

Am presenting claim to Ministry of State on behalf of Indian Motorcycle Company of Springfield, Massachusetts for two motorcycles requisitioned apparently by military authorities on July 28, and two claims on behalf of Singer Sewing Machine Company for sewing machines requisitioned in Madrid up to and including August 8 and for three trucks and two passenger automobiles belonging to it also requisitioned.

A number of American controlled firms which operate as Spanish companies for tax purposes have had material requisitioned but have not authorized Embassy to present claims as they fear this may result in assessment of back taxes in excess of value of goods requisitioned.

WENDELIN

352.1115/710 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, August 13, 1936—3 p. m.

[Received August 14—7:15 a. m.]

Referring to my telegram of August 12, 6 p. m.,<sup>1</sup> all American tourists in Granada except J. H. Jordain reached Seville safely in military plane at 1 o'clock today. They left promptly in a special automobile for Cadiz, and Consul Gibraltar has been requested by telephone to notify the USS *Oklahoma* to pick them up in Cadiz this afternoon. Jordain remained behind as there was no room left in plane.

BAY

<sup>1</sup> Not printed.

852.00/2582 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 13, 1936—6 p. m.

[Received 7:45 p. m.]

X-54. At meeting Diplomatic Corps, Madrid, this afternoon Chilean Ambassador announced that he intended to close Embassy here and move to Alicante because Government unable to guarantee safety. It was agreed to ask our respective Governments for authority to leave Madrid in body if Diplomatic Corps should decide such move necessary. Meeting called for noon August 15, to discuss this possibility further. Meanwhile Chilean Ambassador will defer departure. Mexican Chargé d'Affaires announced that his Embassy would remain in Madrid in any event. British representative stated that he did not intend to leave for time being because of large number of British subjects here who still refused to leave. I am of same opinion. Am making every effort to persuade American nationals to leave while opportunity to do so still open. Cruiser *Quincy* prepared to go to Alicante to evacuate them next Sunday if sufficient number can be persuaded to go.

WENDELIN

852.00/2579 : Telegram

*The Acting Secretary of State to the Ambassador in Spain (Bowers), Then in France*

WASHINGTON, August 14, 1936—5 p. m.

Your August 13 via *Cayuga*.<sup>92</sup> Navy Department has ordered destroyers *Hatfield* and *Kane* to Spanish waters to relieve *Oklahoma*. These vessels will sail Monday. Navy Department states that it will be impossible to provide sufficient vessels to make sure that a vessel is in each port in which we have a Consulate but we shall make every possible effort to make such use of the available vessels as to provide the required vessels for the evacuation of American citizens and, if necessary, our Consuls. We shall give every consideration to your recommendations regarding requirements at particular ports.

We have repeatedly urged all Americans to leave Spain especially at Madrid where, as you say, danger is greatest. Nearly 2 weeks ago Wendelin obtained written statements of the reasons for not leaving of those Americans who remained.

PHILLIPS

<sup>92</sup> Not printed.



701.2152/7a : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, August 14, 1936—6 p. m.

86. The Colombian Government has requested, through its Legation at Washington, that the Colombian Minister in Madrid, Señor Uribe Echeverre, and the Colombian Consul and his wife, be given refuge in the Embassy. The instruction from the Foreign Office in Bogotá to the Legation here stated as the reason that the Minister and the Consul are in great danger of their lives. No other information was given to indicate whether the Government is alarmed because of the general situation or because of some special circumstances affecting the Colombian diplomatic and consular representatives.

Please telegraph any information you may have.

PHILLIPS

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352.1121 Ambler, I. Owen/6 : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, August 14, 1936—7 p. m.

87. A press report from London states that 38 members of the staff of the Rio Tinto Mining Corporation including J. O. Ambler, an American citizen, are being held as hostages in the Huelva Mines by "Spanish Communists" who it is stated refuse to permit evacuation of the hostages aboard the British destroyer *Craven* in Huelva harbor. The London Manager of the company believed that any approach toward the mines by anti-Government forces would place the staff in the greatest jeopardy.

It is understood that the company has appealed to the British Foreign Office and the Spanish Embassy in London for assistance and that the British Government has made urgent representations to the Spanish Government regarding this matter.

This morning I instructed the American Consul at Seville immediately to get in touch with the British Consul at Seville and to associate himself in a most emphatic manner with representations looking to the safety and rescue of Mr. Ambler. You are instructed to get in touch with your British colleague and similarly to associate yourself in representations respecting the safety and rescue of Ambler. If your British colleague has received no instructions, take the matter up immediately with the appropriate authorities and inform them that the American Government must expect the Spanish Government to take immediate steps to bring about Mr. Ambler's release.

PHILLIPS

701.2152/7: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 15, 1936—5 p. m.

[Received 6:45 p. m.]

X-58. Department's telegram No. 86 of August 14, 6 p. m. Apartment house in which Colombian Legation is located fired upon by [apparent omission] night of August 8 apparently in belief snipers firing from the roof. Colombian Minister has officially declared that attack not directed at his Legation. Minister informs me that no Colombian nationals outside of staff in Legation but owner of apartment house and son entered it surreptitiously and he has given them accommodation. They are Monarchists and he therefore fears possible attempt by militia to enter Legation. He has asked and obtained permission from the German Government to leave Madrid with his staff on Lufthansa plane, date not yet determined. For the present he feels Government's guarantee of protection of Legation sufficient. He has not asked to come here.

Situation described third paragraph my telegram No. X-30 of August 4, 7 p. m. still obtains. Until the number of Americans in Madrid can be reduced, I believe requests for refuge in this Embassy from diplomatic representatives and nationals of other countries should be discouraged as in Department's telegram No. 70 of August 5, 4 p. m.

WENDELIN

352.1121 Ambler, I. Owen/9: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 16, 1936—9 a. m.

[Received 11:15 a. m.]

X-59. Department's 87 of August 14, 7 p. m. British made urgent representations to Spanish Government regarding staff Rio Tinto Mining Corporation 3 days ago. Government has no ordinary means of communication with mines but has agreed to send plane tomorrow carrying orders from Government, Socialist, Communist and Syndicalist labor organizations to miners to release foreign staff and permit them to go to Valverde from where they will be evacuated through Huelva. Orders are being sent in three separate pouches which will be dropped at mines by plane.

Rio Tinto mines office at Madrid informed the Embassy on July 31 that Mr. Ambler safe at mines apparently on misinformation.<sup>93</sup>

WENDELIN

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701.0052/12 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 16, 1936—11 a. m.

[Received 2:35 p. m.]

X-60. Diplomatic Corps yesterday afternoon discussed joint withdrawal from Madrid. Chilean, German and a few other representatives apparently favor such action but great majority stated they were merely authorized to leave if local conditions in their opinion became critical and there was evident personal danger to foreigners. No concerted action of this kind which would greatly embarrass Spanish Government likely. German Chargé d'Affaires stated he was authorized to participate in joint withdrawal and to withdraw alone if in his judgment conditions so warranted. Attitude of the Chilean and German representatives is that Government powerless to control extremist element here. Believe German Embassy plans early evacuation as reported my telegram No. X-57 of August 14, 6 p. m.<sup>94</sup> Political motives obvious.

WENDELIN

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852.00/2618 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, August 16, 1936—12 p. m.

[Received 4:44 p. m.]

64. Your telegram of August 14, 4 [5] p. m. Regret our Navy can send but four ships for extensive Spanish coast. Two absolutely required on northern coast where *Cayuga* expected to serve alone. One should remain within easy reach of Bilbao at all times at this juncture and another must be available for responding to calls from Corunna to San Sebastián, a considerable distance. The vessels here are not at my disposal and if my judgment meets your approval Navy Department must instruct commanding officer in Spanish waters to send one of the destroyers to northern coast to keep in touch with

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<sup>93</sup> By telegram No. 402, August 17, 11 a. m., the Ambassador in the United Kingdom informed the Department that Mr. Ambler had arrived safely at Huelva and was proceeding to Gibraltar and thence to Venice (352.1121 Ambler, I. Owen/10).

<sup>94</sup> Not printed.

me to meet subsequent emergencies as may come. *Cayuga's* present trip to Vigo to take refugees to St. [Jean] de Luz leaves Bilbao, an important center for refugees and American business interests, without recourse at a time when conditions there may become serious.

BOWERS

352.115/31 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 18, 1936—11 a. m.

[Received 3:30 p. m.]

X-66. My telegram No. X-33 of August 5, 8 p. m. I saw Minister of State, Minister of Police and asked when we might expect reply to the Embassy note regarding protection of American property and full payment for such property requisitioned for war purposes or otherwise. Señor Barcia said Ministry of State awaiting reply from Minister of Industry and Commerce on remarks attributed to him and that moreover his Ministry is swamped with similar urgent communications. He promised formal reply soon and stated that of course the Spanish Government would pay for property requisitioned by it or by agencies under it. He added, however, that where property may have been seized or stolen by irresponsible persons proper legal steps would be taken to apprehend property.

Referring to my telegram No. X-51 of August 12, 9 p. m., no further claims for requisitioned American property have been presented. Thus far property and residences of American[s] protected by Embassy certificates have been respected.

WENDELIN

352.1115/859 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 18, 1936—1 p. m.

[Received 2:45 p. m.]

X-67. Eight American nationals left Madrid by train to Alicante and will be evacuated on British ship. Telephone company officers left last night by train for Barcelona via Valencia to take charge telephone office there. 151 American nationals now known to be in Madrid of whom 38 in the Embassy. Of total approximately 25 are Puerto Rican and 24 Philippine nationals.

Analysis of list of Americans still in Madrid shows that most of those remaining are not likely to leave. These people include 12 officials of the telephone company including Colonel Behn, several officials

of the International Banking Corporation affiliate of the National City Bank, several newspaper men, [garbled groups] and number here all of whom will not leave without instructions from their superiors. One woman in Embassy gravely ill and possibly a few others unable to leave now for reasons of health. A few refuse to leave as they have no relatives in the United States and fear they may be stranded abroad. Considerable number decline to leave because their families include Spanish citizens and all their interests are here. I would estimate that perhaps 20 or 30 more may leave in the next few days, many more if local situation becomes critical or Embassy is closed, but considerable number very early under any circumstances.

WENDELIN

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852.00/2618 : Telegram

*The Acting Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, August 18, 1936—5 p. m.

B-1. Your 64, August 16, 12 p. m. United States destroyers *Kane* and *Hatfield* sailed at 3 p. m. yesterday from New York. They are due to reach Gibraltar August 29. It is planned that these vessels will overlap for a few days with the *Oklahoma* after which it is expected that the *Oklahoma* will leave Spanish waters. After the *Oklahoma* leaves, there will thus be four vessels in Spanish waters instead of three as at present and given the greater speed of the destroyers, it is believed that these four vessels will be able to patrol the Spanish coast for evacuation purposes with considerable effectiveness. The disposition of the four vessels will necessarily depend upon conditions at the moment but we shall give careful consideration to your recommendations.

PHILLIPS

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852.00/2693 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, August 19, 1936—4 p. m.

[Received August 19—1:25 p. m.]

770. Following is a translation of a telegram received in Spanish from Consul at Barcelona:

“August 19, 1 p. m. Following telegram received from Captain Bayo, chief of disembarkation column at Baleares.

‘Spanish courtesy obliges me to ask you to inform by radio as rapidly as possible those ships of the nation you represent, anchored in the Bay of Palma, that 10 hours after receiving your orders they leave Governmental waters, after which I shall be obliged to bombard by air and sea the aforementioned place. Greetings. Alberto Bayo.’

Am communicating with cruiser *Quincy* through cruiser *London-Franklin*."

Naval Attaché advises that *London* is a British cruiser at present at Barcelona and also that the *Oklahoma* is en route to Palma. Naval Attaché is radioing the above message to the *Oklahoma*.

WILSON

852.00/2723 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 20, 1936—6 p. m.

[Received August 21—2 a. m.]

X-73. British Chargé d'Affaires informed me today that he was called into conference this morning with German, Italian and French Chargé d'Affaires, Chilean Ambassador Acting Dean of the Diplomatic Corps to discuss question of withdrawal of diplomatic missions from Madrid. He gained the impression that Germans and Italians wish to leave but desire similar action by British. French Chargé d'Affaires maintained reserve but apparently would be influenced by British decision. Chargé d'Affaires of Great Britain informed other representatives that he had no intention of leaving Madrid. It was then suggested that Spanish Government might be asked to establish "Jornada" at Alicante to which diplomatic missions might go. British Chargé d'Affaires declared that if this were done he might send subordinate personnel to Alicante but he himself would remain here.

I am entirely of the same opinion as the British. As reported in my telegram No. X-60 of August 16, 11 a. m. certain powers apparently seeking withdrawal diplomatic missions from Madrid to embarrass Spanish Government. In my opinion local conditions do not at present justify withdrawal of missions for reasons of personal safety.

WENDELIN

852.115/95 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 20, 1936—8 p. m.

[Received August 21—2 a. m.]

X-75. My telegram No. X-50 of August 10 [12] first paragraph. In view of large and increasing number of requests from local and Barcelona importers of American merchandise, please advise immediately what if any action we can take.

Embassy has received communication from Foreign Office requesting removal of the Embassy certificate from establishment of Victoriano Simon, custodian of stocks of the Chicago Pneumatic Tool Company mentioned in the Department's telegram of July 24th,<sup>95</sup> on the ground that an establishment owned by Spanish citizen is subject to local law regardless of legal relations between Spanish firm and foreign supplier. Simon, who has left Madrid, has been operating in Spain as a Spanish company under his own name although he was apparently merely an employee of the American firm. Am withholding reply to Foreign Office pending receipt of instruction from the Department.<sup>96</sup>

WENDELIN

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852.00/2741a : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, August 20, 1936—8 p. m.

90. The United Press from London today says that "the Spanish Government in the last few days has issued two decrees declaring a blockade of various coastal areas but no foreign Power so far has recognized the blockade."

Telegraph briefly any information that you can discreetly obtain on this subject.

PHILLIPS

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852.711/2 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 20, 1936—10 p. m.

[Received August 21—3:20 a. m.]

X-77. Decree of August 15 published in the *Gaceta de Madrid* of August 18th establishes censorship all incoming and outgoing mail. At meeting of the Diplomatic Corps today Swiss, German and several other representatives reported that mail addressed to them bearing official seal had been opened. All have brought these incidents to attention of the Foreign Office. Anticipating such possibility I have

<sup>95</sup> Not printed.

<sup>96</sup> Department's telegram No. 116, September 10, 7 p. m., to the Third Secretary conveyed detailed information regarding the American ownership of the company, and authorized him to communicate the facts to the Foreign Office with request that the property be treated as American and to express hope that certificate on building would not be disturbed (352.115 Chicago Pneumatic Tool Co./12).

requested Ambassador Bowers at Hendaye,<sup>97</sup> Embassy, Paris and Consulates Barcelona and Valencia not to forward confidential material to this Embassy by mail.

WENDELIN

852.00/2734 : Telegram

*The Consul at Valencia (Davis) to the Secretary of State*

VALENCIA, August 21, 1936—1 p. m.

[Received 1:42 p. m.]

Secret arbitrary executions well-to-do Spanish people continue at the rate of about 30 every night. The Government has no control and the situation such as to render doubtful whether protection of life and property American citizens can be depended upon. The danger is now great for those engaged in business and I have advised immediate departure of these since they also have no voice in the management of their business.

Panic among the employer class and the execution Polish honorary consul has resulted in assiduous attempts on the part of honorary consuls to obtain some measure of protection by this Consulate. Please instruct. I have declined so far.

DAVIS

852.00/2734 : Telegram

*The Acting Secretary of State to the Consul at Valencia (Davis)*

WASHINGTON, August 21, 1936—7 p. m.

Your August 21, 1 p. m. Your primary duty is, of course, to obtain the fullest possible protection for American nationals. If you feel that you could helpfully exercise your good offices in behalf of an honorary colleague who, you are convinced, has no political affiliations in Spain, you are authorized in your discretion to do so. You should take great care, however, in the exercise of this authority to do nothing to compromise your efforts to obtain the maximum protection for Americans.

We are greatly disturbed at the conditions reported in your telegram. I think it would be well for you to send at least a brief daily telegram on general conditions until further notice.

PHILLIPS

<sup>97</sup>The Chancery was moved to Hotel Eskualduna, Hendaye, on August 13 (124. 521/142).



852.00/2742 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 21, 1936—8 p. m.  
[Received August 22—1:37 a. m.]

X-79. Department's telegram No. 90 of August 20, 8 p. m. Foreign Office *note verbale* dated August 20 just received states that:

"Spanish ports in the power of the rebels as well as those of Ceuta and Melilla and the ports of our proscription zone in Morocco, Balearic and Canary Islands, have all been declared a war zone and therefore it is not possible for the ships of our fleet to permit the entry into them of merchant ships in order in this way to prevent furnishing of provinces of Almería, Murcia, Alicante and Badajoz and supplies to the rebels."

Foreign Office requests that this information be transmitted to American Government in order that American merchant ships may be warned and that thus "possible incidents may be avoided". Same communication believed sent to all other Governments.

Decree of July 28 authorizes Minister of War to declare state of war in any part of national territory affected and military operations against rebels. Spanish ports referred to are in following regions which have been declared in state of war and under blockade: Ifni, Río de Oro and other Spanish possessions on west coast of Africa. Province of Jaén under military rule but not subject to blockade.

So far as known here no foreign Government officer has recently been notified. General opinion in which Military Attaché and I concur is that blockade is not and cannot be effective.

WENDELIN

852.00/2751 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 22, 1936—6 p. m.  
[Received 10 p. m.]

X-80. Department's telegram of August 20, 9 p. m.<sup>98</sup> Assertion that the Spanish Government has practically lost control of the situation at Madrid and that Communists and Anarchists are in command is too strong and is likewise contradictory. Communists and Socialists are supporting Government which in my opinion is stronger now than 2 weeks ago. Government is making serious effort to im-

<sup>98</sup> Not printed; this telegram passed on to the Embassy a report received from Brussels (852.00/2709).

pose discipline [omission?] militia forces with considerable apparent success. All troops, guard forces and police now wear Republican arm bands. Socialist and Communist leaders as well as Government undoubtedly fear possible attempt by Anarchists to seize power but latter are in minority here and such attempt unlikely. However, Anarchists are systematically searching city for persons known or believed to be Fascists or Monarchists and many such people are being shot daily. Government is trying to put a stop to these activities but hesitates to adopt stringent measures for fear of open break with Anarchists. This is the most serious aspect of local Government situation but does not yet justify assertion that Anarchists now control Government.

Danish, Venezuelan and Colombian Ministers and Finnish Chargé d'Affaires have left Madrid. Mexican and Peruvian representatives have announced that they will not leave under any circumstances. Mexican Ambassador and family returning to Madrid probably tomorrow. Conflicting attitudes in Diplomatic Corps clearly reflects political viewpoints of their respective Governments.

WENDELIN

352.115/45 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 23, 1936—noon.

[Received 7:42 p. m.]

X-82. Department's telegram No. 69 of August 3, 6 p. m.; my telegram No. X-33 of August 4 [5], 8 p. m. Formal note from Foreign Office states that although consultation with Ministries of Industry and Commerce and Interior regarding points raised by the Department has not been completed, Ministry of State is pleased to declare that "the Government of the Republic holds as an unalterable principle not to take possession of any property, movable or immovable, belonging to Spanish citizens or foreigners, except naturally in cases of *force majeure*, and especially when it is a question of the safety of the state, or public interests so require. In such a case it will pay the value after a just and equitable appraisal and if possible—and this is the chief desire of the Government—in agreement with the interested parties or their legal representatives".

Referring to my telegram No. X-51 of August 12, 9 p. m. no acknowledgment has yet been received from the Foreign Office on claims submitted for American property requisitioned in Madrid. No further claims submitted yet.

WENDELIN

352.1115/999 : Telegram

*The Consul at Barcelona (Franklin) to the Secretary of State*

BARCELONA, August 23, 1936—7 p. m.

[Received August 24—12:30 a. m.]

I really do not think this is a safe place for Americans. The menace to the safety of their lives is not now active but it may become so any day. All indications are that the local situation will become more dangerous. This belief is based on close observation and contact with groups in power. Of course the danger may be forestalled or delayed. Should disorder and lack of authority make themselves more evident it would be too late to provide safety and protect lives of all Americans. This danger could be increased by antagonism of local people to certain foreigners and in such an eventuality all foreigners may be attacked indiscriminately.

With reference to my telegram August 12, 7 p. m.,<sup>99</sup> should I deem it advisable for their safety please authorize me to send out any American members of the staff as well as officers if transportation is available.

I am remaining, of course, as long as I may be of service.

I invited Americans to a reunion today and of 62 present 37 declared their intention of remaining, 25 their intention of leaving near future if funds and other circumstances permit.

Will the Department kindly arrange, possibly through the Navy Department, to have me supplied with 30 gas masks.

The two special allotments of \$500 granted in the Department's telegrams of July 23, 10 p. m. and August 7, 9 p. m.,<sup>1</sup> have been of great help to us in our work of protecting and evacuating Americans. However, they are now exhausted and I respectfully request an additional allotment of \$1000, \$500 of which are to be devoted to the protection of Consulate, evacuation of Americans, food and other equipment, local transportation, and \$500 of which are intended for repatriating at least five very deserving destitute Americans without relatives and anxious to return to the United States. Copies of text mailed to Embassies Madrid and Paris.

FRANKLIN

352.5215/13 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 23, 1936—9 p. m.

[Received 10:51 p. m.]

X-83. Consulate has received several requests for protection, including refuge in Embassy, and for assistance to leave Spain on behalf

<sup>99</sup> Not printed.<sup>1</sup> Neither printed.

of Spanish husbands of American wives and fathers of American children. These requests thus far refused, but in view of numerous demands it is considered desirable to bring matter to attention of Department and to request its opinion as to what, if any, steps may properly be taken with reference to such requests.

WENDELIN

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852.711/3 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 24, 1936—11 a. m.

[Received August 24—9:50 a. m.]

X-84. My telegram No. X-77 of August 20, 10 a. m. [*p. m.*] Official letter from Embassy at Paris clearly marked and addressed to this Embassy received yesterday had been opened and censored. I immediately sent note of protest to Foreign Office requesting that steps be taken without delay to prevent a repetition of this violation of diplomatic correspondence. Chilean Ambassador as *Doyen* of Diplomatic Corps received general assurances from Minister of State 3 days ago that strict orders were being given not to violate diplomatic correspondence. I shall report any further violations. Meanwhile newspapers, personal and probably some official mail addressed to this Embassy is not being received. I am sending no confidential matter by open mail.

WENDELIN

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852.00/2742 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, August 25, 1936—1 p. m.

94. Your X-79, August 21, 8 p. m. Please address the following note to the Minister of State in reply to the Minister's *note verbale* of August 20:<sup>2</sup>

"Sir: I have the honor to acknowledge the receipt of your note of August 20, 1936, requesting me to inform my Government, in order that American merchant ships might be warned and possible incidents thus avoided, that your Government has declared Spanish ports in control of the insurgents, both on the Spanish mainland and in Morocco and the Balearic and Canary Islands, a war zone into which merchant vessels will not be permitted to enter.

My Government directed me to inform you in reply that, with the friendliest feelings toward the Spanish Government, it cannot admit

<sup>2</sup>The note was delivered to the Spanish Foreign Office on August 26, 1936 (852.00/2822).

the legality of any action on the part of the Spanish Government in declaring such ports closed unless that Government declares and maintains an effective blockade of such ports. In taking this position my Government is guided by a long line of precedents in international law with which the Spanish Government is doubtless familiar."

HULL

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852.5215/13 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, August 25, 1936—2 p. m.

95. Your X-83, August 23, 9 p. m. Your action to date approved. Your first consideration must necessarily be the protection of American nationals. Their safety should not be jeopardized by the admission to the Embassy of any persons whose right to refuge there might be open to question. If the Spanish husbands or parents of American citizens come to you in immediate danger from mob violence you need not refuse to receive them but you should require them to leave the Embassy again as soon as the immediate danger of molestation appears to have passed. Similarly you should not place at the disposal of such persons the Embassy's facilities for evacuation unless you are fully satisfied that the Spanish authorities interpose no objection to their departure from Spain and that their presence among departing Americans is not likely to endanger the latter in any way.

HULL

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701.0052/18 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, August 25, 1936—6 p. m.

[Received August 26—12:30 a. m.]

X-89. Diplomatic Corps this afternoon discussed question of protection of foreign missions and inviolability of the residences of foreign diplomats raised by the following incidents: first, group of armed militia yesterday sought entrance to Argentine Embassy and were only dissuaded after arrival of special police patrol sent on urgent request of Chargé d'Affaires; second, residence of British Embassy Attaché protected by the British flag and Embassy certificate was entered by armed militia Saturday afternoon and three Spaniards found there were arrested. British citizen also there was immediately released. Attaché is at present in France. British Chargé d'Affaires has made formal protest and reported to his Government. The residence was shared jointly by the British Attaché and titled Spaniard

who had apparently given refuge to two others. Government claims that three men arrested have been sought for some time by the police. Commission representing Diplomatic Corps will see Foreign Minister this evening to inquire what assurances Spanish authorities can give that incidents of this kind will not be repeated.

Neither this Embassy nor residences of American Government officials in Madrid have been molested as yet. Apartment of Spanish citizen with American wife was searched Sunday but with proper authority and after first notifying this Embassy and requesting that a representative of the Embassy be present, which was done. No certificate had been issued to protect this property because of lack of evidence that it belonged to wife. The husband sought by authorities is an active Fascist. An American flag had been hung at the entrance to apartment without my permission. I expressed my appreciation to commander of searching party for the consideration shown in this instance and he promised that if it was found necessary to search residence protected by American flag and/or our certificate, Embassy would be notified first. We have used every care to give protection only to American property. Moreover, none but Americans have been admitted to the Embassy. This action is undoubtedly known to authorities and militia and has resulted in their showing us every possible consideration.

WENDELIN

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352.1115/999 : Telegram

*The Secretary of State to the Consul at Barcelona (Franklin)*

WASHINGTON, August 25, 1936—7 p. m.

Your August 23, 7 p. m., requesting that you be furnished with 30 gas masks. From the inception of the revolution in Spain, we have constantly and persistently urged American nationals to depart to places of safety. At a very considerable expense we have made available American naval and commercial vessels to evacuate our nationals. We have urged that all our nationals who can possibly do so take advantage of these facilities. We have pointed out that those American nationals who remain in Spain do so at their own risk and upon their own responsibility. I feel that any decision to provide gas masks would necessarily be interpreted as a reversal of our policy of urging Americans who can possibly do so to leave Spain.

In a separate telegram today<sup>3</sup> we gave you discretionary authority temporarily to close your office and to evacuate with the American members of your staff if in your judgment it became unsafe for you to remain.

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<sup>3</sup> Not printed.

In these circumstances it is not deemed advisable to comply with your request.

HULL

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852.1115/1111 : Telegram

*The Consul at Barcelona (Franklin) to the Secretary of State*

BARCELONA, August 26, 1936—5 p. m.

[Received August 27—12:05 a. m.]

My telegram August 16, noon.<sup>4</sup> Red Cross at Barcelona has approached Consulate General for donation. They fear donations may be made to Madrid and not received by them at Barcelona.

My telegram August 20, 7 p. m.<sup>4</sup> President of Catalan Council informed me in writing that his Government is giving and shall continue to give fullest protection to American citizens remaining in this district.

To date this is being done to the best of their ability. No Americans killed or injured to date. Embassies Madrid and Paris informed by mail.

FRANKLIN

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852.711/4 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 26, 1936—5 p. m.

[Received August 26—4:24 p. m.]

X-92. My telegram No. X-84 of August 24, 11 a. m. Ministry of State in formal note has expressed profound regret for violation of Embassy correspondence adding that it has requested Ministry of Communications: "to take all necessary measures in order that official as well as personal correspondence of diplomatic representatives accredited in Madrid be completely exempt from all censorship".

WENDELIN

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852.1115/1111 : Telegram

*The Secretary of State to the Consul at Barcelona (Franklin)*

WASHINGTON, August 27, 1936—7 p. m.

Your August 16, noon, last paragraph<sup>4</sup> and August 26, 5 p. m., first paragraph. The Department is very anxious to avoid any

<sup>4</sup> Not printed.

action which might in any way be considered as having the appearance of taking sides in the present unfortunate situation in Spain. In view, therefore, of the danger that contributions to local Red Cross or other relief funds might be regarded in some quarters as indistinguishable from contributions to one or the other faction, you should courteously refuse all requests to contribute to such funds.

HULL

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701.0052/20 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 27, 1936—10 p. m.

[Received 11 p. m.]

X-100. Reference my telegram No. [X-]89 of August 26 [25], 6 p. m. British Chargé d'Affaires has received oral apology from the Foreign Office for entrance by militia into residence of Embassy Attaché and is not pressing matter because of attendant circumstances described in my telegram above.

Chilean Ambassador saw Foreign Minister yesterday regarding protection and inviolability foreign missions and residences foreign diplomatic representatives. His report of interview created the impression in some quarters that Foreign Minister had limited his assurances regarding inviolability to missions and residences of heads of missions only. I, therefore, called upon the Under Secretary of State last evening and mentioned this question. He assured me emphatically that the Spanish Government recognized inviolability of residences of all duly accredited diplomatic representatives. I then showed a new certificate I had prepared for posting on the doors of the residences of officers and attachés of this Embassy and of Consul Johnson warning that entry into this residence was prohibited to any and all persons. And the Under Secretary approved this certificate and today we obtained the seal of the Ministry of State and of the Director General of Safety thereon. This endorsement by the Foreign Office, therefore, establishes the responsibility of the Spanish Government for any entry into these residences.

WENDELIN



124.52/113 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 29, 1936—5 p. m.

[Received August 29—4 p. m.]

X-108. Fourteen civil guards including three corporals now assigned permanently for protection of Embassy and Consulate. All are housed and fed at the Embassy. Eleven on duty here and three always at the Consulate which is near by. Day and night vigilance maintained.

WENDELIN

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852.00/2889 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, August 30, 1936—11 p. m.

102. The United States Destroyer *Kane* left Gibraltar at 8:12 a. m., August 30, en route to Bilbao to assist in the work of evacuating American nationals. According to report from her Commanding Officer, at 4:10 p. m., August 30, while the vessel was at 36 degrees, 33 minutes north and 7 degrees, 35 minutes west (approximately 38 miles from the Spanish coast) an unidentified, tri-motored, low-winged monoplane flew over the *Kane* and dropped two bombs which exploded near the vessel. The *Kane* was flying the American flag at her foremast head and in addition had an American ensign horizontal on top of the well deck awning. When this attack was made, the *Kane* increased her speed to maneuver away from the plane. At 4:25 p. m., the plane again flew over the *Kane* and dropped a third bomb. At 4:26 p. m., the *Kane's* anti-aircraft gun fired two rounds in the direction of the plane. At 4:32 p. m., the plane again flew over the *Kane* and dropped three more bombs, making a total of six. The *Kane's* anti-aircraft gun fired nine rounds in the direction of the plane during its approach and retreat.

The attitude of the American Government in respect to the conflict in Spain is well known. The American Government has stressed the complete impartiality of its attitude and has publicly stated that, in conformity with its well established policy of non-interference with internal affairs in other countries, either in time of peace or in the event of civil strife, it will, of course, scrupulously refrain from any interference whatsoever in the unfortunate Spanish situation.

Since the Government forces in Spain have in the friendliest spirit, made every possible effort to avoid injury to American nationals and American property, it can only be assumed that the attack on the

United States Destroyer *Kane*, if made by a government plane, was due to her identity having been mistaken for a vessel of the opposing forces. Because of the friendly attitude of the Spanish Government toward the United States and the absence of any motive whatsoever for an attack upon an American vessel, it is not conceivable that a government plane would knowingly make such an attack. The American Government feels confident that it is fully understood in every quarter that the sole purpose of the presence of American naval vessels about the shores of Spain is to afford facilities for the removal of American nationals from Spain.

Since the plane making the attack was unidentified, the President has directed that this incident be brought to the attention of the Spanish Government through you and informally, with no intention as to recognition, to the attention of General Franco through the American Consul at Seville,<sup>6</sup> with the request that both sides issue instructions in the strongest terms, as the American Government feels confident they will desire to do, to prevent another incident of this character.

Take up this matter immediately with the Spanish Government in the sense of the foregoing, endeavor to obtain a categorical statement as to whether the plane making this attack was a Government plane, and urge and insist upon definite assurance that appropriate instructions will immediately be issued to the Government armed forces. Telegraph immediately and fully the results of your representations.

HULL

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852.00/2921 : Circular telegram

*The Secretary of State to the Third Secretary of Embassy  
in Spain (Wendelin)*<sup>7</sup>

WASHINGTON, August 31, 1936—2 p. m.

The unsuccessful attempt of an unidentified plane to bomb the United States destroyer *Kane* yesterday afternoon approximately 38 miles off the extreme southwest coast of Spain suggests that perhaps the armed forces of the two factions in Spain are not familiar with the fact that there are two United States destroyers now operating in waters in the vicinity of Spain for the purpose of evacuating American nationals. These vessels, the U. S. S. *Hatfield* and the U. S. S. *Kane*, are relieving the battleship *Oklahoma* which sailed from Gibraltar this afternoon for the United States. They have four stacks and on the bow of each destroyer is painted in large white numerals the number of the ship. The *Hatfield* is No. 231 and the *Kane* No. 235.

<sup>6</sup> Telegram of the same date to the Consul at Seville not printed.

<sup>7</sup> Sent also to the Consuls at Barcelona, Bilbao, Malaga, Seville, Valencia, and Vigo.

You are instructed immediately to bring the foregoing information orally and informally to the attention of the military authorities in command in your district, Government or insurgent as the case may be. In so doing you will add that the United States heavy cruiser *Quincy* and the United States Coast Guard cutter *Cayuga* have for some weeks been operating in and out of Spanish waters for the purpose of evacuating American nationals. It is assumed that all of the military authorities are familiar with the characteristics of the latter two vessels, but they should be reminded of the continued presence of the *Quincy* and the *Cayuga* in the vicinity of Spain.

HULL

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852.00/2907 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, August 31, 1936—9 p. m.

[Received September 1—1 a. m.]

115. Department's telegram No. 102 of August 30, 11 p. m. I personally delivered the note to the Under Secretary of State this afternoon regarding attack on U. S. Destroyer *Kane*, enclosing copy of report of commander of ship, and requesting categorical statement as to whether attacking plane was a Government plane and that instructions in the strongest terms be given to the Government forces to prevent another incident of this character.

The Under Secretary of State expressed the profound regret of his Government that this attack should have been made upon any American ship, regardless of whether it was made by Government or rebel plane. He promised that an immediate investigation would be made by the Ministries of War and Marine to establish whether this plane could have been a Government plane. At 8 p. m. tonight he telephoned to inform me that the Minister of State had personally conferred with the commander of the Government air forces and was able now to state categorically that no Government planes were operating in the area where this incident occurred on August 30 and that moreover the Spanish Government possessed no planes of the type described by the commander of the *Kane*. The Sub-Secretary added that instructions had been given some time ago to all armed forces of the Government to respect all foreign vessels. He expressed the appreciation of the Spanish Government for the friendly tone of the American Government's communication and promised a formal reply very shortly.

I was unable to see the Minister of State personally because he was attending a session of the Council of Ministers this afternoon.

WENDELIN

852.00/2926 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, September 1, 1936—10 a. m.

[Received 2 p. m.]

Referring to Department's telegram of August 30, 11 p. m. received August 31, 8 p. m.<sup>8</sup> concerning attack on U. S. Destroyer *Kane*. I called upon General Queipo de Llano at midnight last night to convey to him the substance of the Department's communication since General Franco is now in Cáceres where he has established headquarters. The General immediately expressed his regret that this incident had occurred to an American vessel and added that certainly his forces had no reason for troubling American vessels. He professed no knowledge whatsoever of the incident and called his Chief of Staff and aviation liaison officer who likewise had no information. The General would not admit that any planes of his forces were involved in this incident and ventured to speak of a Russian plane believed to be operating in that vicinity as possibly guilty of the act in question. He said he would investigate into the matter, first with the authorities in Tetuan and then transmit all information to General Franco. Appropriate instructions he said would be given his air forces cautioning them to respect American vessels in all circumstances. Early this morning the General assured me that every one of his aviators had already been carefully instructed in the foregoing sense. He again expressed his regret that an American ship should have been involved in an attack as described and repeated his belief that the attacker might have been Russian. As soon as further report is received in this matter it will be telegraphed to the Department.

BAY

852.1815/3 : Telegram

*The Secretary of State to the Consul at Barcelona (Franklin)*

WASHINGTON, September 1, 1936—noon.

Department's August 29, 2 p. m., your August 30, noon.<sup>9</sup> The Department desires you to maintain cordial contact with the Costa Rican Consul and requests you to extend all proper and consistent assistance to him or his successor in the protection or evacuation of Costa Rican nationals should the need arise.

HULL

<sup>8</sup> Not printed; but see telegram of same date to the Third Secretary of Embassy in Spain, p. 687.

<sup>9</sup> Neither printed.

352.1115/1252a : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, September 1, 1936—2 p. m.

B-13. The following telegram was today sent to our Embassy at Madrid and to all American Consulates in Spain:

"At his press conference on August 31, the Secretary was asked when this Government contemplates taking American naval vessels out of Spanish waters. The Secretary said:

'It may be said in the first place that these vessels were ordered to this locality solely for the purpose of aiding American nationals in Spain to evacuate, on account of danger arising from the civil strife in that country. About one thousand Americans have been able thus far to evacuate, with the assistance of our American vessels and some foreign vessels. It is estimated that around five hundred remain at present in Spain.

As early as August 1, 1936, this Government through its Ambassador, its Consuls and other representatives in Spain, earnestly urged all American nationals to evacuate at the earliest possible date, and since that time the representatives of our Government in Spain have repeatedly urged Americans thus to leave, giving among other reasons that the danger may increase and that in any event the existing facilities for evacuation could not be counted upon indefinitely. The latest of such earnest warnings was sent out from Madrid on the morning of Sunday, August 30.

The chief portion of the five hundred American nationals who remain in Spain continue there mainly on account of business or family connections. Both our official representatives in Spain and our American vessels have rendered splendid service in this work of evacuation. It is my judgment that within the next few days it will be possible to determine more definitely by what date this task of relief will to every practical extent be completed and the present systematic activities terminated.'

"Your attention is especially drawn to the last sentence in the Secretary's statement and you are requested for the final time to urge all Americans in your district to avail themselves of the present opportunity to leave Spain since the withdrawal in the near future of the American Government vessels now in Spanish waters is under consideration."

HULL

852.00/2934 : Telegram

*The Chargé in France (Wilson) to the Secretary of State*

PARIS, September 1, 1936—5 p. m.  
[Received September 1—2: 15 p. m.]

816. Following telegram has been sent to the Embassy at Madrid:

33. September 1, 5 p. m. The Austrian Chargé d'Affaires called to say that he had received a message from the Austrian Consul at Valencia (who is a Spanish citizen) to the effect that following the killing of the Polish Consul (also a Spanish citizen) a few days ago at Valencia there was a certain amount of apprehension among the members of the Consular Corps at Valencia; and while the Consul said that he had no reason to fear for his life at present he would appreciate it if the Austrian Legation in Paris (which is charged with

Austrian interests in Spain) could through the intermediacy of the American Embassy in Madrid advise the American Consul at Valencia so that in case of danger the Austrian Consul there might be evacuated on an American vessel. The Chargé added that so far as he knew the Austrian Consul at Valencia had been entirely correct in his attitude and had not sided with either party in the conflict.

I said that I was sure that the American Consul at Valencia would be glad in case of danger to do whatever he appropriately could to be of assistance and that I would report paraphrase of conversation to our Embassy at Madrid.

If you see no objection I should appreciate it if you would communicate the foregoing to the Consul at Valencia.

Repeated to the Department.

WILSON

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852.00/2932 : Telegram

*The Consul at Bilbao (Chapman) to the Secretary of State*

BILBAO via "CAYUGA," September 1, 1936—5 p. m.

[Received 8:45 p. m.]

0001. Department's telegram of August 31, 2 p. m. At noon today I read personally to the Governor of Vizcaya a translation of the circular instruction receiving his assurance that all Government military authorities on this coast will be instructed accordingly. I am unable to communicate directly with the insurgents at Burgos and other near interior points but I am endeavoring to have Vigo informed through the proper channels.

CHAPMAN

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852.00/2933 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 1, 1936—7 p. m.

[Received September 1—5:50 p. m.]

X-117. At meeting of Diplomatic Corps this afternoon Chilean Ambassador stated that he again raised question of establishing diplomatic "jornada" at Alicante with Foreign Minister this morning and latter appeared much more receptive than formerly. British Chargé d'Affaires made it clear that his Embassy would not leave Madrid even if such action were taken. It is clearly understood that this initiative is only on behalf of those desiring to remove to Alicante.

French Chargé d'Affaires submitted communication from Argentine Ambassador at Hendaye requesting Diplomatic Corps here to associate itself with his proposal to appeal jointly to Spanish Government and rebel command to "humanize" conduct of war. Ambassa-

dor Bowers has informed him that with the Department's approval he has not participated in meetings of Diplomatic Corps at Hendaye on this subject. I therefore stated at meeting today that I had no authority to associate myself with any joint appeal by the Diplomatic Corps here. After discussion it was decided merely to acknowledge receipt of communication.

If proposal to establish "jornada" at Alicante prospers, the diplomatic missions to Spain will be variously located at Madrid, Alicante, and Hendaye and joint action will be even more difficult than at present. I feel that the meetings of the Diplomatic Corps here have little practical results and am limiting myself to attendance as a matter of courtesy.

WENDELIN

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352.1115/1291 : Telegram

*The Vice Consul at Vigo (Stewart) to the Secretary of State*

Vigo, September 2, 1936—3 p. m.

[Received 3:05 p. m.]

Your circular, September 1, 2 p. m.<sup>10</sup> All Americans in this district having funds for repatriation are leaving at own expense. Many destitute unable to leave under any circumstances except repatriation by the United States or maintenance by the American Government in the country to which evacuated, otherwise their death by starvation probable. What does the Department authorize me to do in such cases? If American vessels withdraw from Spanish waters these persons are left without protection promised in the Department's circular, August 1, 2 p. m.<sup>11</sup>

With the exception members of Masonic Order all Americans this district believed safe at present except in Carthage but Masons of any nationality are the objects of persecution and possible killing by fanatical militia.

STEWART

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852.00/2834 : Telegram

*The Secretary of State to the Consul at Valencia (Davis)*

WASHINGTON, September 2, 1936—7 p. m.

Department's August 21, 1 [7] p. m. Austrian Chargé d'Affaires at Paris has requested that you be authorized to place your facilities

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<sup>10</sup> See telegram No. B-13, September 1, 2 p. m., to the Ambassador in Spain, then in France, p. 691.

<sup>11</sup> See telegram No. 63, August 1, 1 p. m., to the Third Secretary of Embassy in Spain, p. 654.

for evacuation at disposal of the Austrian Consul at Valencia, who is a Spanish citizen, should the need arise. The Chargé states that so far as he knows the Austrian Consul has been entirely correct in his attitude and has not sided with either party in the conflict. If local conditions warrant such action in your judgment the evacuation of the Austrian Consul on an American naval vessel is approved subject to the following conditions:

- (1) that he obtain the consent of the appropriate Spanish authorities to his departure on an American vessel;
- (2) that no commercial means of transportation is available;
- (3) that the Commanding Officer of the American naval vessel has facilities and is willing to take him.

HULL

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852.00/2975 : Telegram

*The Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, September 3, 1936—7 p. m.

Your September 1, 10 a. m. and your September 3, 2 p. m.<sup>13</sup> General Queipo de Llano's expression of regret at the attempt made on the U. S. S. *Kane*, the instructions which he said had been given to his air forces cautioning them to respect American vessels in all circumstances, and the careful inquiry which he assured you would be made to determine the identity of the plane making this attack have been duly noted.

It is earnestly hoped that nothing will be allowed to interfere with the most careful investigation into all possible circumstances with the view of determining, if at all possible, the exact identity of this plane. I am sure that the General and his superiors will realize that it is most important that there be no doubt or uncertainty, if it can be avoided, in this matter. It is particularly important to us to resolve, if possible, all doubt in respect to the identity of the plane lest any uncertainty on the point afford a pretext for wild rumors of a plot to involve the United States in some way.

In these circumstances I feel that it would be well, unless you perceive objection, for you to see the General again informally and to point out the foregoing considerations to him, in strict confidence, stressing our confident hope that no stone will be left unturned in an effort definitely to determine the identity of this plane. You will not fail, of course, to express to the General your appreciation of the assurances which he has already given you.

HULL

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<sup>13</sup> Latter telegram not printed.



852.00/2998 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, September 4, 1936—3 p. m.

[Received 4 : 30 p. m.]

X-122. My telegram No. X-119 of September 3, noon.<sup>14</sup> Text of note of Foreign Office in literal translation follows:

“In reply to your very kind note of August 31, regarding the bombing of the destroyer *Kane* of the American Navy by a three-motor, low-winged plane, approximately 38 miles from the Spanish coast and in 36°33' north latitude and 7°37' (*sic*) west longitude, when it was proceeding from Gibraltar to Bilbao to assist in the evacuation of American citizens, a note whose language the Government of the Republic has fully appreciated, I hasten to confirm by this note the telephone conversation which the Under Secretary of this Department had with you yesterday and give you the most absolute assurances on the day on which this disagreeable incident took place, that is to say, the 13th of August, no plane of the Government of the Republic was operating in the said area and furthermore that the aviation corps of the Government of the Republic has no machines of this type. This does not prevent the Government of the Republic from deploring the incident.”

WENDELIN

852.5215/29

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

[WASHINGTON,] September 5, 1936.

Conversation: Mr. Fernando Illanes B., Second Secretary of the Chilean Embassy, concerning evacuation of Spanish nationals.

Mr. Beaulac

Mr. Gantenbein.<sup>15</sup>

Mr. Fernando Illanes B. called at the Department this morning and in a conversation with me, at which Mr. Gantenbein was present, stated that he had been instructed by the Chilean Ambassador, who was out of the city, to make to the Chief of the Latin American Division of the Department, presumably upon instruction of the Chilean Government, a request in the sense of the attached undated memorandum which he left with me.<sup>16</sup>

<sup>14</sup> Not printed.<sup>15</sup> Of the Division of Latin American Affairs.<sup>16</sup> Not printed; it requested the United States to join Chile in obtaining the evacuation from Madrid of members of a Spanish family.

After discussing the matter with Mr. Hickerson of the Division of Western European Affairs, I explained to Mr. Illanes that this Government had received a number of requests to extend assistance to Spanish nationals desiring to depart from Spain during the present Civil War but that it had been obliged, excepting in certain cases of close relations of American citizens, to reply that it was unable to comply with these requests owing to its policy of rigid neutrality and to the fact that any assistance that might be rendered Spanish nationals would necessarily weaken the efforts of this Government in evacuating nationals of the United States and of other countries besides Spain.

I asked Mr. Illanes to be good enough to communicate the substance of my remarks to the Chilean Ambassador, together with an expression of my hope that no injury would befall the individuals forming the subject of the request.

Mr. Illanes thanked me for this statement and departed.

W. L. BEAULAC

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352.6315/4 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 5, 1936—10 p. m.

[Received September 5—9:50 p. m.]

X-126. Doctor Brunner, Acting Austrian Chargé d'Affaires and Consul at Madrid, acting under instructions from Austrian Minister at Paris, asked me today if [I] would undertake protection of Austrian nationals in Madrid if he should leave. There are about 60 Austrians in Madrid of whom he estimates half might come to this Embassy for safety if conditions become critical. He stated that Austrian Government might make this request directly to Washington and I said that I thought that would be preferable.

Consul Johnson and I are very reluctant to undertake protection of any foreign nationals or their interests in Madrid for the following reasons: (1) departure of Commercial Attaché's American staff has so reduced our clerical force that further burden of work impossible; (2) there are still 160 American nationals in Madrid most of whom may come here if situation becomes worse; (3) scarcity now noted in certain food products may become general and therefore Embassy food reserves should be conserved to the utmost. We now have 20 days' supplies for 100 people.

In view of small number of Austrians I would be willing to grant them asylum in Embassy if need be but earnestly request that in such an event this be not taken as a precedent.

WENDELIN

352.115/73 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, via U. S. S. "QUINCY" [undated].

[Received September 6, 1936—2 p. m.]

Following essential part decree August 27th published in Catalan language only in official bulletin of Generalidad of Cataluna September 4th :

All holding of gold coins and ingots absolutely prohibited in Cataluna. All persons holding gold in these forms shall deliver it to Treasury of Generalidad or to their banks for transmittal to Treasury, against official receipts which shall state equivalent in paper pesetas at rate of 277.25 for 100 gold pesetas. Banks holding gold of their own shall likewise deposit it with Treasury. Safe deposit boxes shall be opened in presence of appropriate authorities to determine whether they contain any gold.

After telephone conversation Madrid Embassy contemplate sending protest in event seizure gold belonging American citizens, reserving rights of our Government to make claims since it is American property and should not be requisitioned. Please instruct direct as well as through Madrid Embassy.

PERKINS

852.00/3036 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, September 6, 1936—3 p. m.

[Received 8:50 p. m.]

Department's September 3, 7 p. m. I pointed out to General Queipo de Llano yesterday the considerations contained in the Department's telegram, stressing the desirability of determining, if at all possible, the identity of the attacking plane.

The General realized the importance of removing any doubt on that point and added that in the event his investigation reveals that his forces are responsible in this matter he will readily express his profound regret. He went on to say that the forces based on Seville are certainly free from being involved but that he awaits information in this respect from the forces based on Tetuan and those directed by General Franco.

BAY

852.00/3021 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 6, 1936—11 p. m.

[Received September 6—10:34 p. m.]

X-128. Rumors of possible use of gas by rebels in air raids on Madrid have led the Government to publish detailed instructions in tonight's press regarding measures to be adopted by civilian population in such an eventuality. First aid measures in case of tear and arsenic gas attacks are described. The official proclamation states that these precautionary measures are taken in case "the rebels should attempt to frighten the population of Madrid by the use of gas" and concludes "it is certain that the people of Madrid would respond, if the cruelty of the enemy should give occasion for it, with the serenity and high morale with which it has replied to all attacks."

British Chargé d'Affaires told me this afternoon that he had received a communication from his Government to the effect that European Chancelleries were seriously concerned over possible use of gas by rebels. We have no information whatsoever indicating that gas is being used by either side thus far.

WENDELIN

852.00/3023 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 7, 1936—noon.

[Received 4:45 p. m.]

X-129. First paragraph my telegram No. X-117 of September 1, 7 p. m. The Minister of State, disregarding formalities, called personally upon Chilean Ambassador, Acting Dean of the Diplomatic Corps, Saturday night. Señor Alvarez del Vayo informed the Ambassador that the Spanish Government did not consider it advisable or necessary to establish a "Jornada" at Alicante at this time and assured him that the protection of foreign missions and foreigners in Madrid was a primary concern of the new Government. He added that measures had been taken to guarantee the food supply of the city. The Minister of State declared the present Government was truly representative of the masses and able to control them. He insisted that energetic measures would be taken to stop lawless activities endangering life and property of civilians in Madrid and that hereafter no arrests would be permitted without due judicial process. The Foreign Minister then expressed the urgent desire of his Government that the Diplomatic Corps remain in Madrid.

Yesterday afternoon all representatives except the Peruvian took same attitude. The Peruvian Minister stated that he had orders from his Government to withdraw to Alicante and therefore could not remain.

The following diplomatic missions have withdrawn from Madrid since the present revolution began: German, Italian, Portuguese, Danish, Finnish, Uruguayan, Colombian, Venezuelan and Peruvian, believed to be leaving today. Of these the German, Italian, Portuguese and Danish missions are at Alicante. Peruvian Minister expects to return to Madrid within 10 days.

While it is yet too early to state definitely what success the new Government may have in suppressing acts of vandalism and murder in Madrid there is no doubt that it is stronger than preceding Government and can count upon the wholehearted support of the Popular Front parties and labor organizations. Whether it can obtain cooperation of Anarchists or failing that, suppress them, remains to be seen. An announcement signed by the Socialists, Communist, Left Republican complied with Syndicalist and Anarchist parties and labor organizations appearing in this morning's press declares that it is urgent to adopt energetic and efficacious measures to prevent all excesses, and therefore no houses may be searched or political arrests made except by police authorities or the Committee of Investigation representing groups. "Exemplary and immediate punishment" will be meted out to any one caught entering residences or arresting persons without official authority. This action may be the first step by the new Government to establish its authority and make good its promises of adequate protection.

WENDELIN

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124.52/114a : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, September 7, 1936—2 p. m.

109. Your X-128, September 6, 11 p. m. We have already given you discretionary authority to close the Embassy and depart to a place of safety with the American members of your staff if in your judgment it becomes unsafe to remain in Madrid. Naturally the same authority was intended to apply to the Consulate. Normally, we would expect this discretionary authority to be exercised prior to any attack on Madrid which involved the use of gas. Because, however, of the possibility of an unexpected attack, perhaps from the air, do you consider it advisable for us to try to make arrangements with the Navy Department for you to be furnished with gas masks, from a naval

vessel in Spanish waters, for the members of the staff? We could not consider sending gas masks for any other persons since we have urged them to depart and we expect them to do so. If you consider this step advisable for protection of members of staff, telegraph number of masks required.

HULL

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852.00/3043 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, September 7, 1936—3 p. m.

[Received 6:30 p. m.]

Following is translation of the Spanish text dated Cáceres September 6, received this noon from General Franco:

“His Excellency, the General of the Second Division has transmitted to me your memorandum relating to the aerial bombardment of the destroyer *Kane* which took place the afternoon of August 30 last. In reply to the memorandum, I have the honor to inform you that as a result of investigations made we have no information that any plane belonging to the national forces has committed an act of aggression against any destroyer of another nation; but since definite aerial attacks have been carried out against the Red squadron the possibility of an error of such deplorable consequences cannot be excluded. At the same time the presence of Red aeroplanes in Malaga and the state of anarchy of the revolted forces of the navy makes it possible and even probable that the Marxist forces are responsible for the aggression referred to.

In regard to the responsibility that attaches to the aerial forces under my command, I hasten to make known to you, with the request that it be communicated to the American Government, the regret which this incident has caused me—an incident so repugnant to the standards and conduct of the national forces which respect and uphold lawful procedure. I avail myself et cetera.”

BAY

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852.00/3027 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

HENDAYE, September 7, 1936—4 p. m.

[Received September 7—2:45 p. m.]

96. British Ambassador just called with a telegram from London that Senator Brent Tap of Sweden, just arrived from Madrid, had been told by Caballero<sup>17</sup> and Prieto<sup>18</sup> that they had reason to believe rebels may bombard Madrid with gas and that threat had been made

<sup>17</sup> Francisco Largo Caballero, Spanish Prime Minister and Minister of War.

<sup>18</sup> Indalecio Prieto, Spanish Minister of Marine and Air.

by tracts dropped from rebel plane. British Ambassador instructed to confer with colleagues on wisdom of joint warning to rebel authorities of grave consequences of such actions and serious repercussions on international situation. While Government has neither used nor threatened to use gas, Argentine Ambassador thinks protest should be sent both sides. Since there are many nationals of all nations in Madrid this could be done on the basis of protecting our people.

Please wire instructions.

BOWERS

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852.00/8027 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, September 8, 1936—noon.

B-19. Your 96, September 7, 4 p. m. We do not desire you to associate yourself with any joint representations or joint appeal on this subject.

For your strictly confidential information, we are assembling the facts with the view if deemed justifiable of giving consideration to an independent appeal to both factions against the use of gas against towns and cities, or alternatively to a statement to the press expressing our views on this subject. We will keep you informed.

HULL

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124.52/115 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary  
of State*

MADRID, September 8, 1936—5 p. m.

[Received September 8—4:32 p. m.]

X-132. Your telegram No. 109, of September 7, 2 p. m. I do not consider it advisable to send gas masks for staff here while many American nationals still in Madrid. Moreover it would be difficult to assure proper size and fit. If the situation becomes such as to threaten personal safety of the Embassy and Consulate staff, I shall inform the Department and prepare to depart to place of safety. I believe possibility of gas attack upon Madrid very remote as such action would alienate world opinion and gravely endanger lives of rebel adherents, especially political prisoners in Madrid. Present rumors of such an attack probably maneuver to shake morale of civilian population.

WENDELIN

852.00/3027 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, September 8, 1936—9 p. m.

B-20. My B-19, September 8, 12 noon. If you consider it advisable, you may inform your colleagues in confidence that we are considering the alternatives mentioned in my telegram. Any action which we may decide to take will, of course, be within the framework of our policy of non-interference and wholly independent of but concurrent with any joint action by other Governments. In this general connection, you are referred to my B-14 of September 1, 6 p. m.<sup>18a</sup>

HULL

852.00/2998 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*<sup>19</sup>

WASHINGTON, September 9, 1936—5 p. m.

113. Your X-122, September 4, 3 p. m. You are requested to call informally upon the Minister of State and express our appreciation of the inquiries which the Ministry has made into the attack on the USS *Kane*. In addition, unless you perceive objection, you are requested to take advantage of this call to inform the Minister that certain American newspapers have published rumors that the attempted bombing of the *Kane* was part of a plot to involve the United States in European difficulties. You should point out to the Minister that your Government is not in a position to silence these rumors until it is in possession of exact information as to the identity of the plane which in fact attacked the *Kane* and that therefore your Government would very greatly appreciate any information as to the actual identity of the attacking plane which the Minister might be able to obtain by further inquiry. You will add that the Spanish Government will understand that in making this request you are in no way questioning the accuracy of the report already made to you by it. You may inform the Minister that although General Franco states that he has no information as a result of his investigations that any plane belonging to his forces has committed an act of aggression against any destroyer of another nation, we are nevertheless requesting him to make renewed investigation into the matter in view of our anxiety to leave no stone

<sup>18a</sup> *Ante*, p. 519.<sup>19</sup> A similar telegram of the same date was sent to the Consul at Seville instructing him to call upon General Queipo de Llano in the same matter (852.00/3034).



unturned in our effort definitely to determine the identity of the attacking plane.

HULL

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352.115 General Motors Corp./11: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 9, 1936—7 p. m.

[Received 8:50 p. m.]

X-134. In reply to my note transmitting documents received from Consul at Barcelona regarding taking over of the General Motors assembly plant, warehouses, cars and trucks, I have received the following reply from the Foreign Office quoting Minister of Industry and Commerce:

“In reply to the note of the American Embassy regarding taking over (*incautación*) of plant, warehouses and automobiles of General Motors Peninsular S. A. of Barcelona, I have to inform you that this committee has not made any attachment on this company bearing in mind specifically its foreign character.”

In my note to Foreign Office I stated that the majority interests in this company were American, called particular attention to the seizure of assembled units and material in the free port of Barcelona in the custody of the customs and Spanish Government, and requesting that immediate steps be taken for the full restitution or indemnification of this property referring to the Minister of States declaration quoted in my telegram No. X-82, August 23, noon.

Copies of this telegram have been sent to Ambassador Bowers and Consul General at Barcelona.

WENDELIN

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352.6315/6: Telegram

*The Minister in Austria (Messersmith) to the Secretary of State*

VIENNA, September 10, 1936—11 a. m.

[Received September 10—9:45 a. m.]

49. An official of the Foreign Office called at the Legation yesterday stating that he had been requested by the Secretary of State for Foreign Affairs to request the Legation to transmit to the Department the request of the Austrian Government that our Consular officers in Spain and more particularly the Embassy in Madrid take over the protection of Austrian citizens in Spain. He said that this request was being transmitted through this Legation instead of through the

Austrian Minister in Washington as the latter was absent on leave. He left with me the following *aide-mémoire*:

"In Spain Austrian Consulates exist in Madrid, Barcelona and Valencia which are all honorary Consulates. While the head of the Consulate at Valencia, a Spanish citizen, is at his post the heads of the Consulates in Madrid and Barcelona are outside the country. The representative of the Austrian Export Promotion Institute, Walter Brunner, an Austrian citizen, is acting as temporary head of the Madrid Consulate but he may have to leave Madrid soon. The Consulate at Barcelona is temporarily conducted by the Honorary Chancellor Schultes. The Federal Chancellery Department for Foreign Affairs requests the Department of State in Washington to instruct the American authorities in Spain to kindly assist the Austrian Consulates in the protection of Austrian interests and particularly to authorize the American Embassy in Madrid to take over the protection of Austrian citizens in case of need."

I informed the representative of the Foreign Office that I would transmit the foregoing to the Department.

MESSERSMITH

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352.115 Warner and Co., Wm. R./4: Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, September 10, 1936—noon.

[Received 9:40 p. m.]

My September 6, 10 a. m.<sup>20</sup> International Banking Corporation has deposit of 117,000 gold pesetas in account of Laboratorios y Comercio Substancia, Spanish corporation and not American as stated by Warner in Department's August 7, 4 p. m.<sup>21</sup> Thirty percent of stock in the name of American citizens and 70 percent in name of Warner's Spanish representative who has left Barcelona.

This gold must be turned in to the Treasury and bank has inquired whether it should comply. I have replied that I could not advise in a matter essentially one for the bank itself to determine. I added, however, that Warner Company, through the Department of State, had declared this corporation to be wholly owned by American citizens and therefore I was addressing a letter to the Generalidad stating that I was reporting this matter to my Government and requesting that in the meantime no action be taken which might be prejudicial to the American interests involved.

In my opinion it is questionable if we can go far in protecting such American interests as have been incorporated under Spanish law and have none or little stock registered in American names. To do so is

<sup>20</sup> Apparently refers to undated telegram, p. 697.

<sup>21</sup> Not printed.

likely to prejudice the protection of American interests which have chosen not to obscure their status in this manner. I should appreciate receiving as soon as possible an expression of the Department's opinion for general guidance.<sup>22</sup>

PERKINS

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852.115/78 : Telegram

*The Secretary of State to the Consul General at Barcelona (Perkins)*

WASHINGTON, September 10, 1936—2 p. m.

Your undated telegram received September 6th relating to Cataluna decree of prohibition on gold. Please inform first, whether the Catalan Government had authority under Spanish Government to issue decree and whether it was regularly issued in accordance with law, second whether it allows safety deposit boxes to be opened without permission or presence of their owners, and third whether the pesetas proposed to be given actually have the value at which they are reckoned. We are making same inquiry of Madrid.<sup>23</sup> Defer protest pending instructions. You are, of course, aware of our own legislation that requires delivery of all gold to Federal Reserve Banks. It is possible that Catalan plan is of same nature and is, therefore, not subject to objection by us.

HULL

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852.00/3116a : Circular telegram

*The Secretary of State to the Ambassador in Spain (Bowers), Then in France*<sup>24</sup>

WASHINGTON, September 10, 1936—4 p. m.

At my press conference this noon I made the following announcement:

"Since the outbreak of the civil strife in Spain, the American Government, both through statements of the Secretary of State in Washington and through representatives of the United States in Spain, has repeatedly and persistently urged all American nationals who could possibly do so to depart from Spain for places of safety. Because of the fact that there has been in many places an interruption of commercial transportation facilities, the American Government has provided naval vessels to furnish a means of transporting our nationals out of the danger zone. A number of other foreign governments have

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<sup>22</sup> Department's telegram September 15, 1 p. m., to the Consul General at Barcelona gave him detailed information concerning the American ownership of the company, and instructed him to advise the local authorities of this ownership and to endeavor to protect the property (352.115 Warner and Co., Wm. R./9).

<sup>23</sup> Telegram No. 115, September 10, 2 p. m., to the Third Secretary of Embassy in Spain, not printed.

<sup>24</sup> Sent also to the Embassy at Madrid and to all Consulates in Spain.

likewise provided naval vessels to remove their nationals from Spanish ports.

"Something over one thousand American nationals have been evacuated from Spain since the outbreak of the conflict. On September 1, 1936 our diplomatic and consular officers in Spain were instructed to make a final appeal to those American nationals remaining in their districts who could be reached to take advantage of the present facilities to be evacuated and to point out that the removal of the American naval vessels from Spanish waters was under consideration by this Government.

"There is no information to the effect that any of the Americans remaining in Spain either seek or desire to come out of Spain, except a group of one hundred, more or less, of destitute Americans and one or more small groups in the interior who are reported thus far to have been cut off from access to the seaports.

"In the circumstances, it is felt that a stage has been reached when the American naval vessels can be withdrawn from Spanish waters. The Navy Department has, therefore, issued instructions to our vessels in Spanish waters to depart to ports in nearby countries. Our naval vessels will not return to Spanish waters except upon call by our diplomatic and consular officers for the purpose of evacuating them or any of them if conditions became seriously dangerous, and also to evacuate the destitute Americans and those understood to be marooned in the interior who may later find their way to the seacoast.

"Our diplomatic and consular officers in Spain are rendering many services to Americans and are performing other important duties. It is desirable that they remain at their posts and continue to carry out their duties as long as they can safely do so. Since it is impossible to judge from this distance the danger to which any officer might be exposed, our officers in Spain have been given discretionary authority temporarily to close their offices and to depart to places of safety if in their judgment it should become unsafe for them to remain at their posts".

HULL

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852.00/3105 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 10, 1936—5 p. m.  
[Received September 10—4:25 p. m.]

X-137. I called by appointment upon the Minister of State to pay my respects today and took advantage of the opportunity to refer to the attack on the *Kane* in the sense of the Department's telegram No. 113, September 9, 5 p. m. The Minister recognized the value of definitely determining the identity of the attacking plane and promised to give the matter his attention.

Señor Alvarez del Vayo said that he wished to reiterate to me the assurances he had given the Chilean Ambassador, Acting Dean of the

Diplomatic Corps, regarding the intention and ability of the Government to assure the safety of foreign missions and residents in Madrid. He declared that before agreeing to form a government Señor Largo Caballero had demanded and obtained a written agreement of support from the Syndicalist and Anarchist organizations (CNT and FAI) and that these organizations were cooperating with the Government to suppress lawless activities and punish persons found committing acts of aggression against persons or property. As evidencing this cooperation the Minister asserted that four persons, members of the CNT had been shot yesterday after conviction for such illegal and unauthorized activities. Referring to the question of food supplies the Minister asserted that no general [apparent omission] was imminent but that plans were under way to set up an organization in the Ministry of State to assure adequate food supplies for foreign missions. In view of these measures the Minister felt that foreign diplomatic missions should be in Madrid and said that he had formed the decision to deal hereafter only with diplomatic representatives here. At this point I said that the question of adequate protection, food, and water supplies, and the keeping open of means of communication were undoubtedly the principal factors in deciding whether foreign missions would remain in Madrid. The Minister then declared that he would be the first to inform foreign missions if there were any danger of the city being besieged or taken by the rebels in order that they might be safely evacuated. He personally felt absolutely confident that such contingency would not arise and mentioned that he had sent for his family to join him in Madrid.

The Minister of State requested that I inform my Government that Señor Largo Caballero as Minister of War would this afternoon offer evacuation of all women and children in the Alcazar at Toledo with formal guarantee of their safety.

Despite the assurances of the Minister of State regarding the protection and food supply of Madrid I am of the opinion that there is little justification at this time for his confidence that Madrid may not soon be attacked or cut off by the rebels. During the last few days it has become noticeably harder to obtain certain food supplies for the Embassy. Dairy products, sugar, meats, fish, are non-obtainable or extremely scarce. If rail communications with the Mediterranean coast were to be cut even temporarily a serious food shortage here would be inevitable.

Copies of this telegram have been sent to Ambassador Bowers and Embassy Paris.

WENDELIN

852.00/3116b : Telegram

*The Secretary of State to the Chargé in France (Wilson)*

WASHINGTON, September 10, 1936—7 p. m.

344. I issued a statement today respecting the withdrawal of our naval vessels in Spanish waters to ports in nearby countries. The full text of this statement will be in tonight's radio bulletin.

The Navy Department has ordered the United States Destroyer *Kane* to proceed to French Atlantic ports (St. Jean de Luz, Bayonne, Bordeaux, et cetera), and the United States Destroyer *Hatfield* to proceed to French Mediterranean ports. We understand that the French Government has generally speaking waived the usual formalities for foreign war vessels entering French ports in connection with evacuating foreigners from Spain. It is probable that the above-mentioned vessels will remain for some time in various French ports where they will be available to answer emergency calls from our officers in Spain. In these circumstances it might be well for you to informally advise the appropriate French authorities of the proposed presence in French waters of these two destroyers. We assume that in the circumstances they will have no objection.<sup>25</sup> Should any other naval vessels be ordered to French ports we will notify you.

HULL

852.00/3121 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, September 11, 1936—4 p. m.

[Received 10:20 p. m.]

I communicated to General Queipo de Llano this morning the contents of the Department's September 9, 5 p. m.<sup>26</sup> He stated he would gladly request General Franco to continue investigations as desired.

At the same time the General handed me a communication in which he quotes a letter of September 10 from the President of the provisional government in Burgos, the principal part of which translated reads as follows:

"This Council of National Defense is certain that no airplane belonging to its service could have so repeatedly bombed the mentioned destroyer and indeed aviators have been given positive orders to respect all foreign flags—more especially that of a nation which it may be justly stated has observed absolute neutrality since the beginning of the movement. Moreover, from the time and location of the attack, it has been confirmed that none of our planes were in flight in the described zone."

<sup>25</sup> By telegram No. 858, September 11, 6 p. m., the Chargé informed the Department that the French authorities had no objections (852.00/3117).

<sup>26</sup> See footnote 19, page 702.

In the course of our conversation the General stated that while certain of his seaplanes were flying over Cadiz the day the *Kane* was attacked in order to protect the entry there of German merchant seamen his planes were not at any time in the region where the *Kane* was attacked. He did not agree with the statement of the Madrid Government that it had no plane of the type described by the Commander of the *Kane* and declared that the Madrid Government requisitioned two German airplanes of the described type on the outbreak of hostilities. The aviation liaison officer also showed the Vice Consul an intelligence report concerning the forced landing of one of their tri-motor planes about August 15 and its capture by Red forces who took it to Madrid for active service. Planes belonging to the Madrid forces were described by the General as bearing a red band around the fuselage while planes of the National forces seen from the ground have, he said, a black stripe across the wing and a black circle near the tip. The rudder bears a black letter X on a white background. These markings are given so that they may be checked with observations made by the destroyer.

With regard to the neutrality of the American Government referred to in the letter quoted above the General remarked that the United States is the only country whose munitions have not been found in Spain.

BAY

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352.6315/6 : Telegram

*The Secretary of State to the Minister in Austria (Messersmith)*

WASHINGTON, September 11, 1936—5 p. m.

35. Your 49, September 10, 11 a. m. At the request of the Austrian Legation in Washington, our Chargé d'Affaires at Madrid was authorized on July 26 to extend to Austrian nationals, at his discretion and in so far as circumstances permitted, his facilities for protection and if necessary evacuation. We have never withdrawn this authorization nor is it our intention to do so, but on the other hand, we feel that it is impossible for us to give our Chargé more categorical instructions than he now has for the reason that in the meantime, we have withdrawn our naval vessels from Spanish waters, have permitted a considerable number of the clerical personnel of our Embassy and Consulates to depart, and have given our officers discretionary authority to leave also. We feel sure that the Austrian Government will appreciate that in the circumstances, we are reluctant to assume unconditional responsibility for the protection of its nationals since we could give no assurance as to how long we might be able to afford such protection. In view of our inability to assume more complete respon-

sibility for the protection of Austrian nationals, and the possibility that the situation may become more critical, it is suggested that the Austrian Government may wish to consider the advisability of requesting some other Government to undertake the protection of its nationals.

For your confidential information this telegram has been repeated to Madrid.

HULL

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852.1115/1450 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

ST. JEAN DE LUZ,<sup>27</sup> September 12, 1936—noon.  
[Received September 12—9:44 a. m.]

102. The following telegram has been received from Chapman:

“What attitude should I assume in cases of American citizens towards Governor’s order that no foreigner may embark for foreign destination without his permission?”

Have replied as follows:

“Until permission is refused by Governor to Americans, do nothing. In the meantime call on Governor and say that you naturally assume there would not be the slightest difficulty about the evacuation of American citizens.”

BOWERS

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852.721/5 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

ST. JEAN DE LUZ, September 12, 1936—noon.  
[Received September 12—11:20 a. m.]

103. Rebel authorities at Burgos have issued instructions to military authorities in Vigo that no messages in code shall be permitted and our Vice Consul’s protest is unavailing. Our information from our Vice Consul says he is forbidden but I assume the instruction applies to all. Through the courtesy of the British one of their ships due here this afternoon will wireless their ships permanently stationed at Vigo to clarify this point. The rebels are keen on having us all

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<sup>27</sup> On September 10, the Ambassador notified the Department that the hotel at Hendaye was closing and that he was moving the Chancery to the Hotel Miramar at St. Jean de Luz (124.52/114).



address formal official notes to "the President of the Provisional Government" and this may be another attempt in this direction. Will telegraph reply received through British ship. Our last information was the *Hatfield* was to be sent to Vigo. Where is she now? <sup>28</sup>

BOWERS

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124.522/168 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 12, 1936—2 p. m.

[Received September 12—1:20 p. m.]

X-140. My telegram No. X-138, September 10, 7 p. m.<sup>29</sup> *Note verbale*, from Ministry of State dated September 10 states that Spanish Government is making every effort to keep open official and private communications and feels confident it can do so but that if unforeseen causes should make this impossible this Embassy is authorized to use its radio, first giving notice to that Ministry. I am now notifying Ministry of State that radio operator from the *Quincy* is attached to the Embassy for the purpose of operating our radio equipment and requesting permission to test transmission to make sure we can reach the *Quincy* at any time.

WENDELIN

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852.00/3145a : Circular telegram

*The Secretary of State to the Ambassador in Spain (Bowers), Then in France*<sup>30</sup>

WASHINGTON, September 12, 1936—2 p. m.

Department's circular telegram September 10, 4 p. m., fourth paragraph of my announcement to the press. We do not wish to order our naval vessels to Spanish ports merely to evacuate occasional Americans who may decide from time to time that they wish to leave Spain but rather to do so only when groups sufficiently large to make the journey worthwhile have been assembled. Except in cases of emergency, therefore, the Department wishes to reserve to itself the decision as to whether an American naval vessel shall be ordered in any given instance to proceed to a Spanish port for evacuation purposes. Accordingly, when in the judgment of the officer in charge a

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<sup>28</sup> The Department informed him in telegram No. B-23, September 14, 1 p. m., that the *Hatfield* was at Gibraltar.

<sup>29</sup> Not printed.

<sup>30</sup> Sent also to the Embassy at Madrid and to all Consulates in Spain, except Madrid.

group sufficiently large to warrant the sending of a ship to evacuate them has been gathered together at a seaport the officer will telegraph the Department which will make the necessary arrangements with the Navy. In grave emergencies, of course, our officers may get in touch directly with our naval vessels if direct means of communication are available to them, but in every such case the officers' request should likewise be telegraphed without delay to the Department.

HULL

352.115/79 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, September 12, 1936—5 p. m.

[Received 10:10 p. m.]

I am receiving requests from Americans who have left Spain to take custody of their accounts in local banks and in some cases to remit funds abroad. There is doubtless ground for apprehension that such accounts might be seized. However, in my opinion, storage pesetas in the Consulate General would invite robbery and might expose us to the suspicion that we contemplated illegal export of money from the country. In certain cases we have without responsibility taken custody of personal property but I do not think we should assume the risks involved thereafter becoming a depository for these accounts. I purpose declining to comply with such requests. Department's approval is requested.<sup>81</sup>

Attention is invited to the Department's September 9, 6 p. m.<sup>82</sup> as having a general bearing on the question.

PARKINS

811.51652/4 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, September 12, 1936—6 p. m.

123. Consul Barcelona reports by cable of September 10, 6 p. m.<sup>83</sup> that Catalan Government has issued decree September 2 stating that "Firms can utilize former credit facilities at banks which cannot

<sup>81</sup> By telegram September 14, 5 p. m., the Department conveyed its approval of his proposed action (352.115/89).

<sup>82</sup> Not printed; it authorized the Consul General to accept custody of American-owned shares of the Boston Blacking Co., a subsidiary of the U. S. Shoe Machinery Corp., "upon the understanding that neither the Department nor the Consulate General assume thereby any responsibility for actual safe keeping or ultimate safe delivery of such shares." (352.115 U. S. Shoe Machinery Corp./13.)

<sup>83</sup> Not printed.

restrict, cancel or refuse to renew without special authority Commissar of Banking and empowers Commissar to order banks increase credit facilities by 50 percent. Furthermore, decree grants Commissar power to control all credit services and to force banks to carry out whatever operations he authorizes."

Commissar advises Barcelona branch of the International Banking Corporation, which is entirely owned by the American corporation, that banks in Cataluna must observe decree and cannot refuse credit.

Inquire whether Catalan Government had authority under Spanish law to issue the decree, and whether it was regularly issued.

Protest strongly against enforcement of provisions of the decree on ground that such arbitrary interference with normal banking practices with respect to credit transactions would be tantamount to Spanish control and virtual confiscation of American property.<sup>34</sup>

Please advise Department of reply.

HULL

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852.00/3128 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 13, 1936—7 p. m.  
[Received 11:05 p. m.]

X-144. Department's circular telegram of September 12, 2 p. m. and my telegram No. X-142 September 13, 4 p. m.<sup>35</sup> Requested *Quincy* to [*from?*] Gibraltar to Alicante to evacuate people from Madrid precisely because very few of those here wish to leave. We have constantly urged American nationals in Madrid to leave Spain while the opportunity to do so was still open and the Consulate has now circulated a notice referring to the Embassy's press announcement of the Secretary of State quoted in Department's circular telegram September 10, 4 p. m. American nationals are again warned that if they decide to remain in Spain they do so at their own risk and upon their own responsibility. All Americans wishing to leave now are invited to see Consul Johnson who will advise them on what means may be available for evacuation during the next few days. No promise is made that evacuation by an American naval vessel will be possible.

For some time I have been convinced that very few American nationals still in Madrid were disposed to leave and have so reported to the Department. Since July 29th the Embassy has been open as a refuge for American nationals and those who have come here have

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<sup>34</sup>The Department authorized the Consul General at Barcelona in telegram September 12, 3 p. m., to make a similar protest.

<sup>35</sup>Latter telegram not printed.

been housed and fed at Government expense since July 26th. The railway line to Valencia and Alicante has been open and means of evacuation have been available. The *Quincy* has made five trips to Valencia and Alicante to evacuate Americans from Madrid. In view of the above facts Consul Johnson and I feel that the time has come to take a definite decision regarding the continued use of this Embassy as a place of refuge and I would therefore appreciate the Department's opinion whether American nationals now in the Embassy should be notified to return to their homes if they are not disposed to leave Spain.

The following considerations are suggested in justification of such action:

(1) American nationals were invited to come to the Embassy temporarily for refuge until means of safe evacuation became available and it was never intended that they should remain here indefinitely;

(2) If the rebels should advance on Madrid and the Spanish Government should flee to Valencia or Alicante quick evacuation of the Embassy and Consulate staffs would not be possible while Americans remain in the Embassy;

(3) The British and other foreign missions have already taken such action;

(4) Local conditions do not justify use of the [Embassy?] as permanent refuge because of personal danger outside as shown by the fact that many Americans living in own homes have not been molested;

(5) The increasing food shortage will probably induce many more American nationals to come to the Embassy simply as a place to live and with no intention of eventual evacuation;

(6) If refuge in the Embassy is stopped, our food reserves for 100 people for 20 days can be conserved for use if means of evacuation are suddenly cut off, in which event American residents in Madrid could come here of course for temporary refuge;

(7) As long as refuge in the Embassy is available increasing requests for asylum may be expected from nationals of other countries whose missions are closed to them.

The above considerations are put forward as objectively as possible for the Department's consideration. If the Department feels that we should continue to afford refuge in the Embassy we are of course prepared to do so to the best of our ability. In this connection I may add that every effort is being made to keep expenditures to the minimum. If the Department authorizes the action suggested I would request that the *Quincy* be instructed to proceed to Alicante when requested by the Embassy probably within a week to evacuate Americans from Madrid who may decide to take advantage of this final opportunity. If the Embassy asylum is closed, the members of the staff will also return to their homes but provision will be made to house and feed the Embassy and Consulate guards as heretofore.

852.00/3129 : Telegram

*The Consul at Bilbao (Chapman) to the Secretary of State*

BILBAO via U. S. S. "KANE," September 13, 1936—11:05 p. m.

[Received September 13—8:13 p. m.]

0013. Rebel headquarters has broadcast that after midnight, Monday 14th, mines will be laid in ports Santander and Bilbao and all ships warned of danger of entering or leaving either port. There is now no means of my departure to a place of safety except by warship. Request immediate instructions whether I should evacuate via USS *Kane* leaving Monday afternoon.<sup>36</sup> Vice Consul does not wish to evacuate account wife being Spanish and refusing to leave.

CHAPMAN

852.00/3183 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

ST. JEAN DE LUZ, September 14, 1936—noon.

[Received September 14—7:44 a. m.]

106. Americo Castro, liaison officer of Madrid Government with diplomats here, ordered to terminate his mission which was of no importance. The Madrid Government through him has taken a stand asking return of missions to Madrid. I am sure this is precipitated by action of the Germans, Italians and Portuguese in closing Embassies in capital on the ground that it is unsafe there and the use of this for propaganda purposes. Argentine Ambassador called meeting last night to consider this request. I attended as observer only taking no part in discussion. No disposition to return now shown but time is given to consult home governments. I am afraid there is a disposition to use this incident for propaganda against Government and if we say anything at all in reply we should do so separately. The fact that our Embassy has been open in Madrid has made good impression there.

If Madrid is to be cut off and attacked it should come very soon. If cut off, we would be without source of information as to conditions affecting our people anywhere but in Madrid. I am convinced that the mischievous meddling of the Corps in the internal affairs of Spain is responsible for this new phase. As matters stand we are in touch with Madrid with broader information as to general situation than is possible in capital. Wendelin's telegram to the Department No.

<sup>36</sup> By telegram September 13, 11 p. m., the Department instructed him to close office and depart on U. S. S. *Kane* September 14 for France (125.199/13a).

X-141, September 12, 4 p. m.,<sup>37</sup> would seem to make concentration of entire staff in Madrid unwise but I personally am at disposal of Department. Under no circumstances would I consider taking my family there now.

BOWERS

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852.00/3128 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, September 14, 1936—6 p. m.

125. Your X-144, September 13, 7 p. m. In view of the considerations set forth in your telegram, you may offer Americans in Madrid a period of a few days (the number is left to your discretion) to determine whether they wish to take advantage of a final offer of evacuation on the *Quincy*. You should inform them that you have been instructed to close the Embassy as a place of refuge upon the expiration of this period with only such delay as may be necessary to make arrangements to evacuate those who have by that time declared their wish to leave Spain. You may request visit of *Quincy* directly but you should simultaneously inform Department of action taken. As you know we telegraphed in a separate message about transportation for destitute Americans who could not leave Spain without financial assistance.

HULL

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811.51652/6 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary  
of State*

MADRID, September 14, 1936—9 p. m.

[Received 10:20 p. m.]

X-145. Department's telegram No. 115, September 10, 2 p. m.<sup>38</sup> With regard to first point I am of the opinion, in which International Banking Corporation concurs, that Catalan Government has no legal right to require delivery of gold. Article No. 14 of Spanish Constitution provides "legislation and direct execution in connection with the following matters are in the exclusive competence of the Spanish State" and paragraph 12 of that article specifies "monetary systems, fiduciary issues and general banking regulations." Same situation applies to Catalan decree of September 2 regulating extension of com-

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<sup>37</sup> Not printed.

<sup>38</sup> See telegram September 10, 2 p. m., to the Consul General at Barcelona, p. 705.

mercial credits by banks, to which Department's telegram No. 123, September 12, 6 p. m., has reference.

I have addressed a note to the Ministry of State requesting to be informed whether the Catalan Government gold decree was regularly issued under authority of the Spanish Government and whether the decree permits safety deposit boxes to be opened without the consent or presence of their owners. Consul General at Barcelona will make full reply on all points regarding gold decree.

I have addressed note to Foreign Office in accordance with instructions Department's telegram No. 123, September 12, 6 p. m., quoting pertinent articles of Catalan decree regulating extension commercial credits by banks, inquiring whether this decree was regularly issued by the Catalan Government under the authority of the Spanish Government and protesting strongly against the enforcement thereof on the ground that such arbitrary interference with normal banking practices with respect to credit transactions would be tantamount to Spanish control and virtual confiscation of American property. At the same time, I have pointed out that the Barcelona branch of the International Banking Corporation is entirely American-owned. I shall advise the Department of Spanish Government's reply.

Copy of this telegram sent to Ambassador Bowers and Consul General, Barcelona.

WENDELIN

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352.115/87: Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, September 15, 1936—7 p. m.

128. American-owned cotton at Barcelona and Tarragona is gradually being taken over by local authorities without compliance with terms of purchase which uniformly required establishment of dollar credits in New York to cover contract price. Cotton was financed by the American shippers through New York banks, and unless dollars are immediately made available to meet maturing obligations many of these firms, especially the smaller firms, face disaster. The conditions under which the cotton business is carried on make it impossible for most shippers to accept anything but cash dollars in payment, and assurance of ultimate payment will not prevent serious disaster to them.

In view of the present low supply of cotton in Spain and its steady depletion the necessity of prompt efforts on the part of the Spanish authorities to maintain a continued supply of cotton for the operation of mills is apparent. This can best be done by immediate recognition

by such authorities of the terms of the contracts under which the American-owned cotton now in Spain was to be delivered, that is, by the establishment of dollar credits in New York, and by official assurance that the Government will make prompt provision for the necessary transfer of dollars to New York in payment for this and any additional cotton that may be needed. In no other way can the American shippers be given adequate protection and at the same time continued supplies of cotton be assured.

The owners of the cotton have requested that, unless arrangement for payment as outlined herein is made, demand be made for permission to remove to neutral ports their cotton now on the docks at Barcelona and Tarragona.

Please take up matter with Foreign Office in an endeavor to effect an arrangement for prompt payment in dollars in New York, or for removal of the cotton from the Spanish ports. Report results.

MOORE

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852.00/3169 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 15, 1936—11 p. m.  
[Received September 16—12:20 a. m.]

150. Department's telegram No. 125, September 14, 6 p. m. Americans are being informed that Embassy will be closed as a place of refuge Tuesday, September 22, and that those wishing to take advantage of final opportunity to leave Spain will be evacuated from Alicante on the *Quincy* next Saturday. I have asked *Quincy* to be at Alicante Saturday morning. Destitute Americans will be evacuated in accordance with instructions Department's telegram No. 124, September 14, 4 p. m.<sup>39</sup>

WENDELIN

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811.51652/8 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, September 16, 1936—1 p. m.  
[Received September 17—9 a. m.]

Department's telegram of September 10, 2 p. m. I concur in the opinion expressed in Embassy's telegram September 14, 9 p. m. See Consulate General's despatch No. 165, October 8, 1932.<sup>40</sup> Preamble of

<sup>39</sup> Not printed; the Embassy was authorized to draw on \$300 Red Cross fund. The amount drawn was \$133.79. (352.1115/1455)

<sup>40</sup> Not printed.



the decree attempts, however, to justify itself as an emergency measure, viz., "special attention required under the present circumstances by the financial and economic organization in Cataluna has evidenced the need of foreseeing all the risks that might arise from the desire of hoarding gold, et cetera." Final article also provides "this decree shall be reported in due time [to] the Parliament of Cataluna."

2nd. There appears to be no provision authorizing or ordering opening of safe deposit boxes in the absence of the owner. Banks are required to advise clients that such boxes must be opened and thereafter responsibility appears to rest on the client.

3rd. Interested party receives a certificate for gold deposited, but no payment of cash is made or provided for at any future date. Pesetas proposed to be given represent Spanish official rate on the date of the decree. Bank understands rate is intended to be used to give a value to all gold in uncoined forms.

PERKINS

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852.751/1: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 16, 1936—4 p. m.

[Received 5:20 p. m.]

X-151. In several telephone conversations with the Consulate General at Barcelona recently I have been told by control officer at exchange in Barcelona that on orders Catalan authorities all telephone conversations must be carried on in Spanish or French disregarding right of diplomatic and consular officers to communicate with each other and their governments in any language desired. I brought this matter orally to the attention of the Ministry of State last week, and after further incident this morning I called upon the Under Secretary of State who immediately dictated telegraphic orders to the Minister of Communications that foreign diplomatic and consular officers must be permitted to use any language desired over the telephone. This order is being communicated to appropriate Catalan authorities. Under Secretary also spoke personally to Minister of Communications on this subject. Inasmuch, however, as Catalan authorities appear to be acting with ever increasing disregard of Madrid Government, I have asked Consulate General at Barcelona to bring matter strongly to the attention Catalan Government.<sup>41</sup>

WENDELIN

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<sup>41</sup> Department's telegram No. 132, September 18, 7 p. m., to the Third Secretary of Embassy in Spain stated: "Your action approved."

811.51652/9 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 17, 1936—noon.

[Received September 17—10:15 a. m.]

X-152. My telegram No. X-145, September 14, 9 a. m. [*p. m.*] Minister of State has acknowledged my notes on the subject of Catalan Government decrees of gold and extension commercial credits by banks, stating in each case that the matter has been referred to the competent authorities and that a reply will be made as soon as Ministry is advised. The Acting Councilor of Finance of the Catalan Government is in Madrid and the Under Secretary of Finance of the Madrid Government has gone to Barcelona. It is inferred that the two Governments are studying joint action in financial matters and that the Spanish Government may intend to support Catalan gold and credit decrees, perhaps extending their provisions to the entire country under its authority.

WENDELIN

352.6315/7 : Telegram

*The Minister in Austria (Messersmith) to the Secretary of State*

VIENNA, September 17, 1936—3 p. m.

[Received September 17—10:47 a. m.]

52. I have transmitted the contents of the Department's telegram No. 35, September 11, 5 p. m., to the Austrian Government which has replied that it would be more than pleased if the Department's instruction of July 26th to our Chargé d'Affaires in Madrid be permitted to stand. The Austrian Government adds that it fully appreciates the limitations imposed by the situation upon what we can do for Austrian nationals in Spain. Full report by mail.<sup>42</sup>

MESSERSMITH

852.00/3133 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, September 17, 1936—6 p. m.

B-25. Your 106, September 14, noon, and your 111, September 17, 3 p. m.<sup>43</sup> You may attend this meeting as an observer. Please keep

<sup>42</sup> Not printed.<sup>43</sup> Latter not printed; it reported that a meeting of the Diplomatic Corps would be held Friday at 6 p. m., and requested instructions (852.00/3180).

me informed of developments. Beyond this I have no instructions at this time.

Your work has been valuable and helpful and the Embassy at Madrid is at present adequately staffed. Given the present situation at Madrid I do not believe that it would be desirable for you or any other members of the staff to return there at this time.

HULL

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852.00/3204 : Telegram

*The Consul at Malaga (Graves) to the Secretary of State*

MALAGA, September 18, 1936—5 p. m.  
[Received September 18—4:32 p. m.]

Reference my September 17, 5 p. m.<sup>44</sup> My direct request for despatch of American warship to Malaga was based on alarming information concerning situation furnished by civil governor and military commander. Last night that same civil governor left Malaga and a new civil governor took charge. There is a report that there may be a change of military commanders. Although new civil governor speaks hopefully of situation, an attack on Malaga within the near future is expected.

USS *Hatfield* returned Gibraltar today having evacuated four Americans. There are 18 Americans left in Malaga.

As a precautionary measure I am moving the office to my private house. Repeated to Bowers at St. Jean de Luz and Embassy at Madrid.

GRAVES

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852.48/11a : Circular telegram

*The Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*<sup>45</sup>

WASHINGTON, September 18, 1936—5 p. m.

Certain of our officers have suggested that the American Red Cross might be requested to allot to our Consuls in Spain an amount of money to give to the Red Cross in their respective districts. We have pointed out to these officers that we are very anxious to avoid any action which might in any way be considered as having the appearance of taking sides in the present unfortunate situation in Spain and have therefore instructed them courteously to refuse to contribute

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<sup>44</sup> Not printed.

<sup>45</sup> Sent also to all Consulates in Spain, except Bilbao and Malaga.

to local Red Cross or other relief funds in view of the danger that contributions to such funds might be regarded in some quarters as indistinguishable from contributions to one or the other faction. In the meantime, the American Red Cross itself has been giving consideration to this problem. It feels that it would not be opportune at this time to launch an appeal for funds in the United States nor to send any personnel to Spain. It has, however, now made a contribution of \$10,000 to the International Committee of the Red Cross which, after consultation both with the Government at Madrid and the revolutionary Junta at Burgos, has undertaken to establish delegations at Madrid and Barcelona on the one side and Burgos and Seville on the other.

The foregoing is furnished you only as background information not for dissemination in the hope that it may perhaps be of some value in aiding you to deal with local solicitations for contributions to relief funds.

HULL

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125.199/15a : Circular telegram

*The Secretary of State to the Ambassador in Spain (Bowers), Then in France* <sup>46</sup>

WASHINGTON, September 19, 1936—10 a. m.

On September 14, Consul Chapman acting on instructions from the Department closed Consulate at Bilbao and departed with American members of staff aboard the U. S. S. *Kane*. Last night the Department instructed Consul Graves to close Malaga Consulate and depart with American staff aboard U. S. S. *Hatfield*.

HULL

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852.00/3208 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Secretary of State*

ST. JEAN DE LUZ, September 19, 1936—11 a. m.

[Received September 19—8:43 a. m.]

113. At meeting Diplomatic Corps Friday evening unanimously decided to ignore suggestion concerning Madrid. British, French, Argentine and other nationals with Embassies open there with Chargé

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\* Sent also to the Embassy at Madrid and all Consulates except Bilbao and Malaga; also to the Embassy at Paris with instructions to repeat to all seaport Consulates in France, and to the Legation at Lisbon with instructions to inform Consulate and Oporto.

d' Affaires took position suggestion could not apply to them. Am still convinced it was aimed at Italy, Germany and Portugal, who have closed Embassies in Madrid and moved to Alicante.

BOWERS

852.00/3214 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, September 19, 1936—6 p. m.

[Received September 20—10:50 a. m.]

Consul General's August 24, 7 p. m.<sup>47</sup> The situation as affecting the safety of American citizens in Barcelona does not seem to me to have changed from that described in the first paragraph of Franklin's August 23, 7 p. m. Those of my colleagues whom I have met express only the most pessimistic views generally and fear that, with the authority now exercised by the numerous extra legal radical organizations, it will be merely a question of time until it will be impossible to extend any effective protection to the property interests of their respective nationals. The following Consuls with their families left yesterday: Honduras, El Salvador and Guatemala. The officers themselves will probably return.

The military situation has not gone well recently for the Government and some people are beginning to question whether the "revolution", with the extremely doubtful social upheaval which has taken place here will in the end improve their lot. Meat, potatoes and sugar are becoming difficult to obtain. There is some rise in prices although an effort is being made to control speculation. Should Madrid fall an adverse reaction is expected here with the likelihood that radical groups will become even more disorderly and unrestrained in their "confiscation" of private property and in their executions. The actual authority of Madrid over Catalonia at this moment is next to nothing and the actual authority of the local "government" in Barcelona over the various radical organizations is in the same category.

Although there appears to be no definite anti-foreign feeling as it appears the failure of military successes is being attributed to foreign aid given to the opposing faction. Inspection of passports is becoming closer and even the permission of the "anti-Fascist militia" in addition to that of the "Government" is being insisted upon before foreigners are permitted to depart.

Now that so many of our citizens have left, the Consulate General is becoming more largely occupied with the protection of property rights, looking after nationals of other countries under our protec-

<sup>47</sup> Not printed.

tion, and keeping contact with Americans remaining for reasons beyond their control. Pressure of work has not decreased. At the present it is believed this office is fulfilling a useful function in these respects but if I am to accept the views of my colleagues it is questionable how long that function may continue.

PERKINS

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124.52/116a : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, September 22, 1936—3 p. m.

134. In its telegram No. 76 of August 10, 7 p. m., last paragraph, you were given discretionary authority to depart if and when you considered it no longer safe to remain. As we have found, however, an understandable reluctance on the part of our officers to take advantage of such discretionary authority we feel it necessary to point out that we do not desire that the lives of our Embassy and Consulate staffs be exposed to serious danger. All press reports available to us indicate that the insurgent drive on Madrid is gaining momentum and emphasize the confusion and disorganization among the government forces. It seems possible, therefore, that the insurgents may in the near future succeed in cutting off Madrid's communication with the coast and that a disaster of this nature might lead to serious disorder in the capital. Major Carlos Contreras, stated by the *New York Times* to be a staff officer directing the operations of the militia around Talavera, is quoted as having said that if the rebels broke through the Loyalist lines they would find no Madrid to capture—it would have been burned and utterly destroyed.

Since the last of the Americans willing to leave Madrid have now been evacuated from Spain and those who remain have been repeatedly warned that they do so at their own risk and upon their own responsibility it would seem that the Embassy has now no mission so important that the presence of our officers in Madrid is indispensable at this time. We are aware that it is the intention of certain American nationals having large financial interests in Spain to remain in Madrid come what may and in spite of all urgings to leave. We do not, however, consider this sufficient reason for keeping our Embassy and Consulate staffs in Madrid in the face of serious danger. Neither do we feel that our property interests in Spain are sufficient warrant needlessly to endanger our officers. In view, therefore, of the unpredictability of the situation in Madrid should the Government forces suffer further reverses, we desire that you give

immediate serious consideration to the desirability of closing the Embassy and, of course, the Consulate, and departing to a place of safety with the American members of your staff and any other Americans who might then wish to leave before you are isolated by the advance of the insurgent forces.

If you decide to depart you should if possible take with you or destroy codes, seals, and confidential archives; the Senior Member of the Spanish staff should be entrusted with the custody of the Embassy premises until such time as it becomes possible to reopen the Embassy.

HULL

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352.115/97 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, September 22, 1936—9 p. m.  
[Received 10:20 p. m.]

X-166. Department's telegram No. 133, September 19, 3 p. m. and Consulate General at Barcelona telegram to Department of September 21, 7 p. m.<sup>48</sup> I am addressing note to Foreign Office along the lines of Department's telegram No. 128, September 15, 7 p. m., stressing that maintenance of continued supply of American cotton can only be assured by recognition of application contracts, establishment of dollar credits in New York, and official assurance that prompt provision will be made for transfer of dollars to New York in payment for cotton now in Barcelona and Tarragona future shipments. If Government declines to make such provision for payment, I am requesting that permission be granted for the removal of cotton now in Spanish ports.

I seriously doubt whether the Madrid Government is in a position at this time to establish dollar credits in New York covering imports of American cotton into Spain and it is also extremely doubtful whether the Catalan Government would permit reexport of cotton from Catalan ports. The authority of the Madrid Government in Catalonia is negligible. However, as stated in last paragraph Consul General's telegram of September 21, 7 p. m., Catalan Government appeared to be requiring deposit of peseta value of cotton before authorizing requisition and may maintain this policy.

WENDELIN

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<sup>48</sup> Neither printed.

352.1115/1640 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 23, 1936—4 p. m.  
[Received September 23—3:40 p. m.]

X-168. Embassy closed as a place of refuge yesterday. Members of staff living at home. Embassy and Consulate guards housed and fed as heretofore. Several efforts have been made to replace guards during the last few days which I have refused to permit and protested strongly to Foreign Office. Ministry of State advised me officially this is what that Government has decided, that all guards now assigned to foreign missions and consulates be maintained and not replaced.

WENDELIN

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124.52/116b : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, September 24, 1936—11 a. m.

135. In view of apparently reliable press reports, you should withdraw from Madrid at once unless some imperative duty compels you to remain. This withdrawal should include Johnson<sup>49</sup> and all American staff. War Department states this withdrawal should also include Col. Fuqua.<sup>50</sup>

MOORE

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352.115 Warner and Co., Wm. R./12 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, September 24, 1936—8 p. m.  
[Received September 25—9 a. m.]

Department's September 15, 1 p. m.,<sup>51</sup> and September 23, 8 p. m., and my September 24, 4 p. m.<sup>52</sup>

1. On September 17 the Consulate General addressed a second letter to the local Government giving complete information regarding the American ownership of this company<sup>53</sup> and requesting full protection its interests. Yesterday morning the International Banking Corpora-

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<sup>49</sup> John D. Johnson, Consul at Madrid.

<sup>50</sup> Col. Stephen O. Fuqua, Military Attaché in Spain.

<sup>51</sup> See footnote 22, p. 705.

<sup>52</sup> Neither printed.

<sup>53</sup> I. e., the Laboratorio y Comercio Substancia.



tion was visited by Control Committee of Workers demanding transfer to them of company's account. In response to urgent telephone call from bank, Consul Braddock delivered a letter stating fully this account was American-owned, was receiving protection of this Consulate General, and requesting that no unauthorized transfers be made. Committee thereupon departed, but returned with Government requisition whereupon bank transferred account to Committee. Requisition of gold account mentioned in my September 10, noon, was made this morning.

2. For some days the bank has been subject to intermittent pressure in this matter. Had the American status of this account been clear I question whether such action would have been attempted at this juncture. It is imposing a severe strain upon the credulity of Spanish officials and Committee to ask them to accept the American ownership of an account whose status has been reestablished in the manner described in my September 10, noon; and I am convinced that both the bank and Consulate General are exposing themselves to the suspicion of devious practices in asserting such American ownership.

3. I am, however, chiefly concerned with the question how far representatives of the bank can continue to go without endangering their personal safety in the protection of financial accounts of the various American interests here now exposed to confiscation. These representatives do not as yet share these apprehensions but find it difficult to decide where the zone of personal danger lies. For this is the first requisition that has been made upon an American-owned bank account. I propose to lodge a protest with reference to this seizure but I should like to be informed as soon as possible whether the Department has any specific instructions with regard to its presentation.

PERKINS

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124.52/120 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, September 25, 1936—9 p. m.  
[Received September 26—9 : 10 a. m.]

X-174. Department's telegrams numbers 134 and 135, September 23 [22], 3 p. m., and 24, 11 a. m. After careful consideration of entire situation, I believe closing of the Embassy and withdrawal of Embassy and Consulate staffs from Madrid at this time would be premature for the following reasons: (1) military situation while grave is not yet desperate for the Government, and rebel threat to cut communications, especially railway to coast, not yet acute; withdrawal before

rebel threat to Madrid becomes more definite would greatly weaken our future position, if possible Government reaction should occur; (2) withdrawal now while British and French Embassies remain would be blow to Government, inevitably associating us in public mind with Germans and Italians; (3) withdrawal of Embassy from Madrid would destroy much of the goodwill now enjoyed both by Embassy, Consulate and Americans in general and resultant hostility would endanger American interests now receiving favored treatment. Colonel Behn of International Telephone and Telegraph Company now in Madrid insists that our withdrawal would probably cause seizure of the telephone company by the Government which thus far has permitted Americans to retain control.

The above considerations are advanced only as justification for remaining in Madrid until such time as rebel threat to capital becomes definite and acute. This situation may develop in a few days or not for weeks. If rebels cut rail communications with coast, acute food shortage would develop in Madrid very quickly and whether city is captured immediately or is subjected to siege local situation would become very serious. Whether even so serious danger would be incurred by staff in the Embassy is matter of opinion here. In any event it would be necessary to throw Embassy open again as a place of refuge to some 140 American nationals. Latter consideration is most serious aspect of the situation as safety in Embassy cannot be guaranteed if condition of anarchy should develop. Majority of these nationals are Spanish speaking long domiciled in Madrid.

Balance of above considerations in my opinion counsels remaining in Madrid until rebel threat to city becomes more definite and then leave the country, if possible, in conjunction with British and French. If rail communications are cut off unexpectedly we are prepared to leave by automobile via Valencia.<sup>54</sup>

WENDELIN

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811.51652/18 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, September 26, 1936—1 p. m.

[Received 1:45 p. m.]

My telegrams of September 21, 7 p. m., and September 25, 8 p. m.<sup>55</sup> Doctor Caballero, chief of Comité Oficial Algodonero, told Consul

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<sup>54</sup> In telegram No. 139, September 27, 8 p. m., the Secretary of State instructed Mr. Wendelin that he need not depart until in his judgment the rebel threat to the capital became definite and acute; he was to be guided in reaching his decision by paragraph 2 of Department's telegram No. 134, September 22, 3 p. m., p. 724.

<sup>55</sup> Neither printed.

Braddock on 24th that every bale of American cotton now in Barcelona would be paid for but stated that for present payment could only be made in pesetas. He said all future orders would be accompanied by dollars deposited in New York. According to him authorities are insisting that factories meet payments and will not facilitate further deliveries to delinquents.

Position of Spanish representatives believed to be serious as they are receiving pressure from both shippers and local mills and have no power to satisfy either. I am endeavoring to relieve this pressure and also to assure that seizures if actually made be only on formal requisition.

PERKINS

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852.115 Warner and Co., Wm. R./14 : Telegram

*The Secretary of State to the Consul General at Barcelona (Perkins)*

WASHINGTON, September 26, 1936—2 p. m.

Your September 24, 4 p. m.<sup>56</sup> and September 24, 8 p. m. In connection with the protest referred to in paragraph 3 of your September 24, 8 p. m. you should state, among other things:

(1) That instructions were not given to you to take action in the case of the Laboratorio y Comercio Substancia until the Department had satisfied itself by careful examination of the documents referred to in its September 15, 1 p. m.,<sup>56</sup> that the Company was in fact 100% American-owned and that there was no Spanish interest, except of a negligible character, in either the Company or the bank account in question; that your Government exercised the greatest care in the matter before instructing you to make representations, for the reason that it does not desire to be placed in the position of endeavoring to protect other than bona fide American interests;

(2) that your Government had reason to believe from earlier announcements of the Spanish authorities that American-owned property was not to be interfered with, and was gratified at this reasonable and perfectly proper attitude which seemed to reflect not only a sense of justice but an appreciation of this Government's entirely neutral position and determination to interfere in no wise with the unfortunate situation obtaining in Spain;

(3) that your Government is loath to believe that, upon being apprised of the status of American-owned bank accounts and gold deposits, the local authorities will persist in their seeming present purpose to take them over, since such action, in the circumstances obtaining, amounts in effect to confiscation of private property, contrary to international law and inconsistent with the good relations existing between the two countries and their peoples.

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<sup>56</sup> Not printed.

You should express the earnest hope and conviction of your Government that upon further consideration of the matter in the light of the facts stated in the Department's cable of September 15 and the present instruction the orders of requisition will be revoked and the accounts left undisturbed.

(4) The Department leaves to your discretion whether in the light of the situation as discussed in your telegram of September 16, 1 p. m., the legality, under Spanish law, of the action of the local authorities should be questioned.

(5) You should of course not request representatives of the bank to take any action in the protection of financial accounts which might endanger their personal safety. It is not the desire of the Department that human lives should be endangered by efforts to protect property interests.

HULL

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124.52/124: Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*<sup>57</sup>

WASHINGTON, September 29, 1936—1 p. m.

140. Your X-175, September 28, 11 a. m.<sup>58</sup> You are entirely correct in your interpretation of the last paragraph of the Department's 134, September 22, 3 p. m. For obvious reasons we could not undertake to assume responsibility for the use of the Embassy as a place of refuge in the absence of any American official. We desire, therefore, that if you withdraw from Madrid the Embassy premises shall be closed and the senior Spanish employee shall act merely as their custodian. If this employee lives on the premises you may leave with him the keys to his quarters but you should take with you all other keys and lock and seal the same and all outside doors and windows. If the confidential archives are too bulky to take with you you may destroy them or leave them at the Embassy in the locked and sealed safe as seems best in your judgment. You should, of course, before leaving make every effort to get in touch with the remaining Americans and offer them the opportunity of leaving with you.

On closing the Embassy all members of the American staff should leave Madrid together. Fuqua's orders are to accompany you and to stay with you as long as you remain in Spain. He has been directed not to mention in the meanwhile any possibility of his eventually proceeding to Lisbon.

HULL

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<sup>57</sup> Sent also to the Ambassador in Spain, then in France, as telegram No. B-33.

<sup>58</sup> Not printed.

852.00/8345a : Telegram

*The Secretary of State to the Consul at Seville (Bay)*<sup>59</sup>

WASHINGTON, October 3, 1936—4 p. m.

The U. S. S. *Kane* has reported that it intercepted a radio message in Spanish, a free translation of which follows:

"Commander in Chief of Nationalist fleet states that commencing zero hours 4 October all ports between and including Barcelona and Malaga are subject to bombardment without previous warning as they may be used by Government forces as naval bases. Foreign ships should abandon the ports included in indicated zone before end of time allowance advising themselves of risk they expose themselves to if they do not do this."

Endeavor ascertain orally and informally from insurgent commander in Seville whether such a warning was broadcast with the approval of the insurgent authorities. If the answer is in the affirmative, you should state that officials of your Government and American nationals are in some of these ports and that American war vessels are entering these ports occasionally for purposes of evacuation. You should state, without admitting the legality of the proposed action, that you assume that under these circumstances the insurgent authorities will give notice sufficiently in advance of any proposed bombardment of any particular port to enable these officials and nationals to find their way to places of safety and to permit notification to our naval vessels in order that they may not be exposed to danger while engaged in this humanitarian work of evacuation.

Telegraph immediately a full report of the results of your conversation.

HULL

352.115 Warner and Co., Wm. R./16 : Telegram

*The Consulate General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, October 4, 1936—noon.

[Received October 5—12:25 p. m.]

Department's telegram of September 26, 1 [2] p. m. No reply has yet been received, [to representations?] made in accordance with the Department's instructions, concerning the transfer of the bank account of Laboratorio Comercio Substancia S. A. to the Workers Control Committee.

Day before yesterday, after strong oral protest by the Consulate General to the local authorities had failed to bring about preventive

<sup>59</sup> Repeated to the Embassy at Madrid, the Consulate General at Barcelona, the Consulate at Valencia, and to the Ambassador in Spain, then in France, for their confidential information.

action, the International Banking Corporation was obliged to pay a check drawn on the account of the General Motors Peninsular S. A. by the Workers Committee of that company and the delegate of the Generalidad acting under the authority of the Delegacion de Industria of the Catalan Government. I have since learned that similar checks on the same company have been for some time honored by the Anglo-South American Bank and the Banco Hispano Americano.

I am of the opinion that the local government while inclined to be considerate of our protests is too weak to control Workers Committees which have payrolls to meet.

Both the bank and the Consulate General are keeping careful records as a basis for claims, but we should be glad to be informed of any particular suggestions that may occur to the Department in this relation.

PERKINS

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852.00/3371 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, October 5, 1936—1 p. m.  
[Received October 6—9:40 a. m.]

Department's October 3, 4 p. m. General Queipo de Llano knew nothing of the intention of the Nationalist fleet to bombard Mediterranean ports. He said General Franco was alone supreme in naval affairs. However, he telephoned to naval authorities in Cadiz who confirmed the report as quoted in the Department's telegram and added that Valencia had been bombarded yesterday and that Barcelona would be shelled today or in the near future. All foreign vessels and civil population of ports to be bombarded are being notified in advance according to the naval authorities in Cadiz. General Queipo de Llano offered to transmit to Franco any communication we wished to make in the matter.

BAY

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852.00/3371 : Telegram

*The Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, October 6, 1936—6 p. m.

Your October 5, 1 p. m. We have noted General Queipo de Llano's statement that the insurgent naval authorities at Cadiz have informed him that all foreign vessels and the civil population of ports to be bombarded are being notified in advance. We desire, however, that you call upon the General at your earliest opportunity and request him to bring our views in this matter to the attention of General Franco

himself as promptly as possible in order that we may receive assurances from the chief of the insurgent forces that we shall be given notice of the proposed bombardment of any port sufficiently in advance to enable our officials and nationals to find their way to places of safety and to permit notification to our naval vessels in order that they may not be exposed to danger while engaged in the humanitarian work of evacuation.

You should inform the General at the same time that we do not feel that the insurgent naval authorities' statement to him of their intention to bombard Barcelona in the near future is a sufficiently definite advance notice of the proposed bombardment of that city and that we shall expect them therefore to give us a further warning sufficiently in advance of the actual bombardment to enable us to notify our Consulate General there and such of our naval vessels as may be in the vicinity.

HULL

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852.00/3402 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, October 8, 1936—10 a. m.

[Received 4:32 p. m.]

Referring to Department's telegram of October 6, 6 p. m., I called on General Queipo de Llano this morning in pursuance of the Department's telegram and in my presence he instructed his Chief of Staff to telegraph to General Franco with regard to Department's request to be given ample advance notice of the proposed bombardments of Mediterranean ports. The General pointed out again that he has nothing to do with naval affairs and consequently could not inform me of the bombardments of Valencia and Barcelona which have already taken place.<sup>60</sup> He stated he will communicate General Franco's reply to me as soon as received.

BAY

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125.1673/433 : Telegram

*The Acting Secretary of State to the Consul General at Barcelona (Perkins)*

WASHINGTON, October 8, 1936—6 p. m.

Your October 7, 6 p. m.<sup>61</sup> It is our general policy not to evacuate the Spanish employees of our offices in Spain and although these

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<sup>60</sup> In telegram of October 9, 10 a. m., the Secretary of State informed the Consul at Seville that neither Valencia nor Barcelona had as yet been bombarded.

<sup>61</sup> Not printed.

employees at offices where conditions have been dangerous as at Barcelona have been active in the protection of American property interests, we have received no other recommendations that our Spanish personnel should be evacuated. We do not feel that the death of Iturralde can be regarded as a case in point for although he was killed in an attempt to go to the aid of an American citizen, it does not appear that the attack on him was due to resentment of American intervention but on the contrary was made in ignorance of his mission and identity. We feel, therefore, that we cannot give you general authority to evacuate your Spanish employees but we shall be glad to give consideration to particular cases in which unusual circumstances might seem to warrant a departure from our established policy. It is suggested that for the protection of those Spanish employees whom you may be compelled to leave behind, you notify the local authorities of their names stating that they remain employees of the Consulate General and will act as custodians of the consular premises until such time as you are in a position to reopen the Consulate General.

CARR

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352.115/109 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, October 8, 1936—8 p. m.

[Received 10:45 p. m.]

Central Labor organizations are commandeering all cotton in Catalonia, and classification of bales by grades without respect to ownership has already begun in the warehouses. Value of American-owned cotton in Barcelona and Tarragona estimated at more than \$1,000,000. Am interviewing Councilor of Economy of the Catalan Government tonight to see if seizure emanates from, or is recognized or sanctioned by, the Government. If in the negative, I shall demand that immediate measures be taken to restore cotton to *status quo* and with guarantees of full protection against further unlawful acts of any kind; if in the affirmative, that provision be made for prompt and full compensation to the American owners. Embassy at Madrid informed.

PERKINS

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352.115/112 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, October 9, 1936—noon.

[Received 4:10 p. m.]

My telegram of October 8, 8 p. m. Councilor of Economy expressed surprise last night at news of proposed cotton seizure and asked for



original communication of labor organization to International Banking Corporation in order to lay matter before a meeting of Council today. He promised to notify Consulate General and International Banking Corporation of result of meeting. Embassy at Madrid informed.

PERKINS

852.115/115 : Telegram

*The Secretary of State to the Consul General at Barcelona (Perkins)*

WASHINGTON, October 10, 1936—2 p. m.

Your October 8, 8 p. m., and October 9, noon. Your action heartily approved.

HULL

852.115/114 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, October 10, 1936—9 p. m.

[Received October 11—1 a. m.]

My October 8, 8 p. m. and October 9, 1 p. m. [noon.] Galvet, delegate of Industry of Catalan Department of Economy, gave assurances tonight that Catalan Government would guarantee payment all cotton requisitioned and would get out formal letter to that effect Monday after receiving up to date list all American-owned cotton.

PERKINS

852.1121 Patriarca, Vincent J./17 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, October 12, 1936—8 p. m.

156. Your X-196, October 8, 6 p. m., and X-200, October 9, 2 p. m.<sup>62</sup> Public interest in the case of Patriarca is becoming constantly more widespread and we are in receipt of increasingly urgent appeals in his behalf. You are instructed, therefore, in addition to the steps which you have already taken to bring the case of Patriarca to the attention of Largo Caballero in his capacity as Prime Minister and

<sup>62</sup> Neither printed. Vincent J. Patriarca was a native-born American citizen captured while serving as an aviator with the Spanish insurgent forces. There were reports that he might be executed because of the feeling aroused by alleged killing of Spanish Government pilots when captured by the insurgents.

Minister of War and to request from him assurances that Patriarca will not be executed. You may inform the Prime Minister that the American public shares your government's understanding that the internationally recognized laws of war do not sanction the execution of prisoners and that if Patriarca were executed there can be no doubt that there would be a widespread hostile reaction among the American people who have so far been well disposed toward his government.

We have just received a telegram from a "Committee of One Thousand Mothers" organized to save Patriarca's life urging that an effort be made "to have him removed to neutral territory at once and that he be there incarcerated until decision and determination be made in the matter." You may, if you perceive no objection, cite this appeal to the Prime Minister as illustrative of American public sentiment.

HULL

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352.1121 Patriarca, Vincent J./18: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, October 13, 1936—5 p. m.

[Received 6:10 p. m.]

X-210. Department's telegram No. 156, October 12, 8 p. m. I obtained interview with Minister of State this afternoon to discuss Patriarca case. Señor Alvarez del Vayo raised the subject on his own initiative before I mentioned it. He informed me that he and the Minister of Marine and Air, Señor Prieto, had discussed case with Lasu [*Largo*] Caballero and latter had agreed that in deference to interest of United States Government therein, Patriarca would not be executed. The Minister likewise requested me to inform my Government of this decision in strict confidence to avoid press reports being sent to Spain that Spanish Government had given such assurances. If such reports should become known here, the Government would find it difficult to prevent individual efforts to kill him because of intense public bitterness against rebel aviators. Señor Alvarez del Vayo assured me that Patriarca would be treated with all possible consideration and promised to obtain for me a pass permitting Embassy to send him special food required because of his intestinal ailment.

In strict confidence the Minister of State promised, without my having made any suggestion, that in perhaps 2 weeks he would suggest to the Prime Minister the advisability of deporting Patriarca under guarantee of Embassy to avoid possible danger of some individual attempt against his life. He cannot make this suggestion at

once for fear of hostile public reaction, and perhaps also present opposition other members of Government.

The attitude of the Government in this case, as well as in others, has been unhesitatingly friendly toward us and we have unusual evidence of action taken to do all possible to satisfy our legitimate requests on behalf of American nationals. I respectfully request that assurances obtained from Spanish Government in Patriarca case be not made public as this would embarrass Government here and in all probability destroy any chance of later obtaining his evacuation. Interested persons could be assured merely that it was known his life not in danger.

WENDELIN

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852.00/3447 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Secretary of State*

MADRID, October 13, 1936—8 p. m.  
[Received 9:35 p. m.]

X-211. In an interview with Minister of State today he asked me to communicate the following confidentially to my Government:

The Spanish Government is seriously disturbed by the actions of certain diplomatic missions in Madrid in giving asylum to numerous Spaniards known to be hostile to the regime. The Latin American representatives have been particularly active in this connection and despite the provisions of the Treaty of Montevideo<sup>63</sup> on diplomatic asylum they have not, except in the case of the Mexican Ambassador, furnished the names of these refugees to the Government. The Spanish Government has never adhered to this treaty, but in its desire to maintain the most cordial possible relations with diplomatic missions in Madrid, it has heretofore disregarded these actions. It is not concerned over the giving of asylum to women and children but is concerned over the protection afforded to men known to be enemies of the regime. The Spanish Government, however, has now obtained information that some 150 Spaniards given asylum in the Chilean Embassy are actively plotting against the Government and that they have arms, including machine guns, in their possession. The Council of Ministers considered this question at its session last Saturday and the Minister of Interior, responsible for the internal protection of Madrid, stated that he could not continue to accept this responsibility if he were not permitted to take measures against these activities. He

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<sup>63</sup> Convention on Rights and Duties of States, signed December 26, 1933, *Foreign Relations*, 1933, vol. iv, p. 214.

wished to order search of Chilean Embassy but Minister of State vetoed it. However, he was authorized to place police in houses adjoining Embassy as precautionary measure. At the same time, he was authorized to relieve present guards at Chilean Embassy because some of them had become involved in the conspiracy against the Government. The guards were accordingly relieved with the consent of the Chilean Ambassador on the pretext that they had to be instructed in the use of new weapons.

The latter matter was discussed last evening at a special meeting of the Diplomatic Corps called by the Chilean Ambassador who is acting drastically [*doyen?*]. The Chilean Ambassador stated that he had permitted the guards to be relieved at the written request of the Minister of Interior with the understanding that they would be returned in a few days. The representative of Salvador reported that he had heard that these guards were now under arrest. The Chilean Ambassador then said that he would demand their immediate return and make a capital issue of it. The guards have not been replaced at any other mission and the Minister of State told me today that it was not intended to do so. He declared, however, that he would not accede to request of Chilean Ambassador that his original guards be returned. He adds that he had made similar confidential statement to British Chargé d'Affaires only.

As reported in previous telegrams, and especially my number X-191, October 6, 10 p. m.,<sup>64</sup> protection given to Spaniards, enemies of regime, by certain missions has been carried to such extent as to raise question of overt act of hostility toward Spanish Government. Minister of State showed me letters intercepted from Spanish refugees in diplomatic missions here alleged to contain military information to rebels. Foreign passports also have been issued to known Spaniards. All these acts raise possibility of serious diplomatic incident, as certain diplomatic representatives may seek joint action diplomatically in support of Chilean Ambassador, while on the other hand Minister of State informed me he was considering requesting his recall. I shall take no compromising action without Department's prior approval.

WENDELIN

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852.00/3447 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, October 14, 1936—6 p.m.

159. Your X-211, October 13, 8 p.m. The situation with regard to the guards at the Chilean Embassy reported in your telegram

<sup>64</sup> Not printed.

under reference is regarded as an interesting commentary upon the present relations between certain foreign missions and the Spanish authorities. In view, however, of the cordial cooperation which the Spanish Government has so far extended to you not only in the matter of guards for our Embassy and Consulate but also with regard to all other legitimate requests which we have had occasion to make, we do not desire that you should associate yourself in any way with the representations which the Chilean Ambassador, individually or jointly with other missions, may address to the Spanish Government. If the occasion arises, you may in your discretion confidentially inform the Minister of State of our attitude in this matter.

HULL

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852.00/3465 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, October 15, 1936—1 p.m.  
[Received October 15—11:10 a.m.]

X-217. My telegram No. X-122, September 4, 3 p.m. *Note verbale* just received from Foreign Office encloses copy of official reports of activities Government Air Forces based on airfields in South namely Alcazares (Cartagena), Almeria, Valencia, Guadix (Cordoba front) and Malaga on August 30, last. None of operations reported included area near where destroyer *Kane* was attacked.

WENDELIN

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352.1115/1918 : Telegram

*The Consul General at Lisbon (Buhrman) to the Secretary of State*

LISBON, October 17, 1936—1 p. m.  
[Received October 17—11:15 a. m.]

From Stewart, Vigo:

“15th. Department’s telegram 14th.”<sup>65</sup>

Following American citizens held by authorities:

(1) Manuel Santiso Trapote registered citizen arrested August 10th charged with participation political events. Have arranged to have him delivered to me as soon as arrangements for evacuation completed.

(2) Francisco Lamas [Zarauza] evidence of citizenship not conclusive allegedly born at Boston July 18, 1914, arrested August 8th

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<sup>65</sup> Not printed.

for participation workers against Nationalists. Local authorities state that proofs exist Lamas collected arms and ammunition for workers. My request copy of charges denied. Copy of sentence promised but not yet received.

(3) Perfecto Mendes Celaya, passport number 2633 issued March 23, 1933, automobile confiscated August 7th reported my telegram of August 15th. Request for receipt for automobile denied and Celaya arrested September 6th charged with sabotage of automobile to prevent its use by military authorities. Celaya categorically denies charges. Repeated intervention local authorities requesting release ineffective. He has been examined by authorities but no sentence has been imposed. I have informed General, Eighth Division, Coruna of the weakness of the case as shown by evidence but have been unable to obtain release. Full report of the case now being prepared for mailing via Portugal. Report on Lamas case already forwarded."

BUHRMAN

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124.52/130a : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, October 17, 1936—2 p. m.

161. Would it not be desirable in view of the threatening military situation for the officers of the Embassy and Consulate once more to take up their residence in the Embassy? We do not wish to suggest that the Embassy should be open at this time as a place of refuge for American nationals but we feel that it might be well for you to give consideration to the advisability of your resuming your own residence there. We are, of course, entirely willing that you should yourself decide on the basis of your knowledge of the local situation whether you will take this step. This suggestion is not intended in any way to supersede our existing instructions with regard to the possible necessity of closing the Embassy and departing with your staff from Madrid.

HULL

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352.115/126 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, October 17, 1936—6 p. m.

[Received October 18—1:27 a. m.]

Written undertaking just received from Councilor of Economy to effect that pending registry and control of cotton requisitions the Catalan Government assumes responsibility for the American interests

involved and will in due course arrange definitive form for payment of requisitions.

I will endeavor to obtain this guarantee with specific relation to cotton listed in my October 14, 9 p. m.<sup>66</sup> as well as to that reported by International Banking Corporation as soon as verification of lists complete.

Copy of written undertaking mailed today.

PERKINS

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852.00/3497 : Telegram

*The Consul at Seville (Bay) to the Secretary of State*

SEVILLE, October 18, 1936—11 a. m.

[Received 7:32 p. m.]

Referring to my telegram of October 8, 10 a. m., and previous, commanding general in Seville transmitted to me today text of telegram from General Franco replying to his telegram of October 8. General Franco stated that only military objectives in cities and towns are bombarded and that effort is made to cause no damage to surroundings though an occasional shell may fall outside the mark; that it is not possible to give advance notice of bombardments because war operations must be prepared in secret and carried out if possible with surprise to the enemy; that in all cases foreign property distinctively marked will be absolutely respected.

With regard to the Department's October 9, 10 a. m.,<sup>67</sup> during the week of October 5th local press published repeatedly articles concerning bombardments of Barcelona, Alicante and Valencia. The general belief is that the purpose of these reports was to draw warships of the opposing forces from northern ports to Mediterranean waters. No further reports have been published in this respect.

BAY

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852.0022/8 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, October 18, 1936—7 p. m.

[Received October 18—6:55 p. m.]

X-226. In formal communication to Chilean Ambassador dated October 13th the Minister of State raised question of asylum of Span-

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<sup>66</sup> Not printed.

<sup>67</sup> See footnote 60, p. 733.

ish citizens in foreign missions and stated that thus far the Spanish Government has respected right of asylum "through a spirit of tolerance and not because it is obligated to do so by agreements which Spain has not accepted in international relations". The note then referred to the Habana convention on asylum of 1928<sup>68</sup> and declared that none of the representatives in Madrid of governments signatories thereof except one (Mexico) had [met] with the requirement of article number 2 thereof to notify government to which they are accredited of persons given asylum. The note concluded with the declaration that "the practice of the right of asylum having given rise to notorious abuses" the Government notifies the Diplomatic Corps through the *doyen* that "it sees itself obliged to terminate the attitude of extraordinary tolerance adopted by it up to the present with regard to the practice of the right of asylum, reserving to itself the action against the abuses already committed that may be required in each case by the high interests of the Republic".

Above communication was considered at meeting Diplomatic Corps last evening. Chilean Ambassador will reply referring to Montevideo Convention of 1933 and justifying action principally on grounds of humanity, citing similar action by Spanish representatives in Latin America and recent requests for protection by high officials present Government on behalf of relatives or friends. Since Minister of State's note has no application to this Embassy I informed Chilean Ambassador that there was no justification for our inclusion in proposed reply.

I remain convinced that our policy of affording refuge only to Americans in case of emergency is best assurance that inviolability of the Embassy will be respected. In addition to giving asylum in missions proper some representatives have taken over entire apartment buildings to house Spanish refugees under theory of extension of extraterritoriality. This practice is giving rise to popular resentment and several attempts of militia to enter certain missions have occurred. No hostile incident whatever has yet affected us.

Certain members of British colony have attempted to force British Embassy to give refuge to Spaniards. The British Chargé d'Affaires therefore informed his Government which has been endorsing same policy as ours on ground first consideration must be protection own nationals. British Government has made public statement to this effect in London. As far as I know no Americans here have attempted similar interference.

WENDELIN

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<sup>68</sup> *Foreign Relations*, 1928, vol. I, p. 612.



352.0022/8 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, October 19, 1936—6 p. m.

162. Your X-226, October 18, 7 p. m. We entirely approve your statement to the Chilean Ambassador and share your opinion that our policy of affording refuge in the Embassy only to Americans is the best assurance that the inviolability of the Embassy will be respected.

For your information, our Ambassador at Buenos Aires reports that the Argentine Undersecretary for Foreign Affairs has informed him that his presence would be welcome at meetings of the Latin American diplomatic representatives in Buenos Aires which would be held at the Ministry of Foreign Affairs to discuss the attitude which the Latin American members of the diplomatic corps in Madrid should take with regard to the Spanish Government's note to the Chilean Ambassador concerning the question of asylum of Spanish citizens in foreign missions. Our Ambassador stated that unless otherwise instructed he would not attend these meetings. In reply we have informed our Ambassador that his action in not attending any meetings in connection with this matter is approved in view of the traditional attitude of the United States in the matter of asylum and since any intervention by this Government in the present dispute might weaken the effective action taken by our diplomatic representatives in Madrid to protect American nationals.

HULL

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352.1115/1939a : Telegram

*The Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, October 19, 1936—7 p. m.

Please get in touch orally and informally with General Queipo de Llano and inform him that the military authorities at Vigo do not permit our Consulate there to send or receive cipher telegrams and that we should be grateful if appropriate instructions could be transmitted at once to the authorities there directing them to permit such communications freely to pass between the Department and our Consul at Vigo.<sup>69</sup>

HULL

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<sup>69</sup> By telegram November 5, 10 p. m., the Consul at Seville reported to the Department: "General Queipo de Llano informed me tonight that General Franco promised him during a conversation by telephone to arrange for the freedom of communication with the Consul, Vigo, desired by the Department." (352.1115/2167)

352.0022/9 : Telegram

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

BUENOS AIRES, October 20, 1936—6 p. m.

[Received 7:12 p. m.]

229. Department's 139, October 19, 6 p. m.<sup>70</sup> I today informed the Minister for Foreign Affairs of our Government's attitude as set forth therein.

The Minister for Foreign Affairs told me that replies accepting in principle coordinated action by Latin American countries to maintain a common front as regards right of asylum had been received from all these countries. He added that a meeting of the Latin American diplomatic representatives would be held this afternoon to determine the form of action to be taken which he anticipated would be in the shape of telegrams from all Latin American capitals.

The Minister for Foreign Affairs interprets the visit of President Azaña to Barcelona as a flight. He further considers that the Spanish Government is practically powerless and can give no adequate guarantees and feels strongly that if persons now receiving asylum are expelled, mass executions will follow.

The Minister also stated that messages from his diplomatic representative in Madrid are being delayed in transmission.

WEDDELL

881.00/1627

*The Secretary of State to the Diplomatic Agent and Consul General at Tangier (Blake)*

No. 919

WASHINGTON, October 21, 1936.

SIR: The Department has received your despatch No. 1204 of October 2, 1936,<sup>71</sup> reporting on current events in Tangier. It was particularly interested in the conversation you had with the British Vice-Admiral Geoffrey Blake, concerning the visit of American warships to Tangier for the protection of the American colony in case of need, and it wishes to commend you for the reply you made to the British Vice Admiral.

In view of the desire of this Government to observe the strictest neutrality between the factions in the Spanish civil war, it would be reluctant to send war vessels to Tangier unless the danger to the lives of American citizens there were acute and the facilities offered by

<sup>70</sup> Not printed; but see telegram No. 162, October 19, 6 p. m., to the Third Secretary of Embassy in Spain, p. 743.

<sup>71</sup> Not printed.

merchant vessels for evacuating them were insufficient. Thus, by replying to the British Vice Admiral in the terms you used, you interpreted this policy accurately.

Very truly yours,

For the Secretary of State:  
R. WALTON MOORE

352.1121 Anderson, Jane/12 : Telegram

*The Secretary of State to the Third Secretary of Embassy in Spain  
(Wendelin)*

WASHINGTON, October 21, 1936—2 p. m.

420. Consulate, Marseille, reports that Jane Anderson, whose release from imprisonment in Madrid on a charge of espionage was effected by our Embassy there, states that she proposes to consult you with regard to publishing articles and delivering lectures and speeches in France concerning her Spanish experiences. Miss Anderson further states that she has offered six articles to a London agent instructing him to submit full copy of text to Embassy London before publication.

You should inform Miss Anderson, if she appears, that, while her courtesy is appreciated, this Government exercises no control over the publication of articles or the delivery of lectures and speeches and that, therefore, no officer of this Government could undertake to suggest to her any course of action with regard to the publicity to be given her experiences in Spain or to read or to pass upon any articles which she may propose to publish or any lectures, speeches or other public utterances which she may consider making.

Please inform Consulate, Marseille. A similar telegram is being sent to our Embassy at London.

HULL

352.0022/12 : Telegram

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

BUENOS AIRES, October 22, 1936—6 p. m.

[Received 7:10 p. m.]

233. My 226, October 17, 6 p. m.<sup>72</sup> and 229, October 20, 6 p. m. Argentine Government has sent a telegram to the Government at Madrid pointing out that position recently taken by latter in regard to asylum would violate a right recognized and upheld by Latin America and

<sup>72</sup> Not printed.

a humanitarian principle founded on Spanish legal tradition. The Spanish Government has itself recognized this principle in the past and on the present occasion. Any alteration in the right of asylum might consequently affect the diplomatic relations of Argentina and Spain. Any such change even if accepted could take place only after the departure of those given asylum with full guarantee of protection.

Copy by airmail.

Am reliably informed that diplomatic representatives of Cuba and Chile in Buenos Aires have expressed their annoyance at Argentina's attempt to be the leader of the Latin American Republics and that this sentiment is shared by some of their colleagues.

Mexican Ambassador told me today that while his Government accepted the doctrine of asylum it had merely asked its representative at Madrid for information. The Argentine Foreign Office states that it does not know which of the other Latin American Governments have made representations to Madrid.

The foregoing would indicate that no joint action will be taken as appears to have been the desire of the Argentine authorities and that even independent representatives [*representations?*] will not be made by all republics.

WEDDELL

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352.1121/3a : Telegram

*The Secretary of State to the Minister in Portugal (Caldwell)*

WASHINGTON, October 22, 1936—8 p. m.

25. For Consul George M. Graves:<sup>73</sup> Several persons in the Vigo district having some claim to American citizenship have been arrested by the insurgent authorities for alleged political activity. As soon as possible following your arrival in Vigo we desire you to submit a full telegraphic report on each of these cases in order that the Department may determine what action you should be instructed to take. We have been unable to reach a definite decision up to the present as to whether these persons are American citizens. The Consulate at Vigo did not report these cases immediately by telegraph and when reports were submitted they were in insufficient detail.

In considering these cases you will, of course, bear in mind that ordinarily an American citizen does not definitely forfeit his claim to American citizenship unless he becomes naturalized in a foreign state or takes an oath of allegiance to a foreign government. Because of the disturbed conditions in Spain, the fact that Vigo is under mar-

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<sup>73</sup> Assigned as Consul at Vigo October 21, 1936.

tial law, and the curtailment of the usual legal safeguards to protect individual rights, we are apprehensive that persons who may have a valid claim to American citizenship may be dealt with summarily unless we indicate to the local officials our earnest desire to obtain a fair and impartial trial for them.

We feel that we have a right to insist that American nationals who may be arrested and accused of committing offenses in Spain have fair and impartial trials and that the authorities in control will, if our position is tactfully presented to them, promptly recognize the desirability of this from their own point of view. The local authorities would undoubtedly not desire to arouse public opinion in the United States against them by any precipitate action against an American national.

You will realize that it will be necessary for you to use the greatest tact and discretion in dealing with the authorities in connection with these cases.

HULL

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124.52/132: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, October 23, 1936—5 p. m.

[Received 9 p. m.]

X-239. In view of serious situation and present indications Embassy will again be opened as place of refuge. Military Attaché has been placed in charge of important matters in connection therewith, for which he is qualified. Please inform War.

WENDELIN

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811.91252/31: Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, October 25, 1936—6 p. m.

[Received October 26—9 a. m.]

X-247. Department's 174, October 24, 11 p. m.<sup>74</sup> Press reports of reopening of the Embassy as a place of refuge absolutely incorrect. Notice will be sent to American nationals tomorrow cautioning them to remain indoors at night, again warning them of necessity of main-

<sup>74</sup> Not printed.

taining attitude of impartiality and non-interference in situation here, and advising them that consideration is being given to reopening Embassy as place of refuge. American nationals are urged to keep in touch with the Embassy and those who feel themselves in personal danger are advised to communicate with us immediately.

*New York Times* correspondent Carney was arrested 2 weeks ago but immediately released. His apartment was entered and searched yesterday morning but nothing taken. I have protested to Foreign Office in this regard.

Carney was told yesterday that he might come to Embassy at once if he felt in danger but he declined for the time being. His safety is matter of some concern because of his known prejudice against present regime and nature of articles sent out by him and published in American press.

WENDELIN

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811.91252/33 : Telegram

*The Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, October 28, 1936—6 p. m.

B-55. Your 145, October 28, 1 p. m.<sup>75</sup> This morning's papers carry long article under Salamanca dateline from Minifie in which he states that Gorrell, Weaver, and he<sup>76</sup> are "Guests of the rebel command" pending their departure for the border. As Minifie and his companions appear to be neither under arrest nor in danger and we have received no requests for further assistance it is not believed that any action is required at this time.

With regard to your suggestion that Johnson<sup>77</sup> be sent to the insurgent civil headquarters at Burgos or their military headquarters at Salamanca, we consider it preferable that such informal contact with the insurgent authorities as circumstances may render necessary from time to time shall continue for the present to be made through the appropriate local authorities in those cities where we already have our established representatives. Our object in following this procedure is to avoid any incident which might be seized upon either by the insurgents or by persons in this country as indicating that we had established formal relations with General Franco.

HULL

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<sup>75</sup> Not printed.

<sup>76</sup> Newspaper correspondents captured by the insurgent army.

<sup>77</sup> Apparently refers to John D. Johnson, Consul at Madrid.

352.0022/16 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, October 29, 1936—8 p. m.  
[Received October 30—11 : 40 a. m.]

X-263. Diplomatic Corps yesterday afternoon further discussed question of diplomatic asylum with respect to Spaniards and changing of guards at Chilean Embassy. Russian Ambassador attended for first time and intervened to say that in his opinion Latin American concept of asylum was not universal and could not be supported in name of entire Diplomatic Corps. British Chargé d'Affaires stated that he had sent note to Chilean Ambassador, acting *doyen*, that his Embassy was not affected by question of asylum as on orders of his Government no Spaniards were being given refuge. British position is the same as ours. It was agreed that in any further communications with Spanish Government in name of Diplomatic Corps' asylum granted Spanish citizens exception would be made of American, British and Russian Embassies.

Copies of communications from Cuban, Colombian and Dominican representatives and direct communication from Argentine and Chilean Governments to Spanish Government supporting Latin American concept of diplomatic asylum were made available. Communication from Argentine Government cited acceptance in practice of this concept by the Spanish Government and stated that "any alteration in the exercise of this right of asylum thus consented to might influence the diplomatic relations of this Government with that of Spain". Communication from Chilean Government stated that instructions have been given Ambassador here firmly to insist upon protection Embassy and refugees therein, adding that "such instructions are in complete accord in our opinion with the rules of law in the intangibility of which are bound up the maintenance of the political relations between my Government and that of Your Excellency".

The Chilean Embassy guards relieved over 2 weeks ago have not been returned despite insistent demands of Ambassador (my telegram No. X-211, October 13, 8 p. m.). Guards in this Embassy and apparently all others not affected. Chilean Ambassador has now addressed note to Minister of State demanding return former guards or assignment others specified by him adding otherwise "this Embassy will find itself obliged to deny admission to the present guards within the Embassy and will find itself in the unfortunate situation of having to communicate to its Government that it lacks the means which assure its protection". Several Latin American representatives yesterday expressed their regret that such strained relations should exist between the *doyen* of the Diplomatic Corps and the Spanish Government

suggesting that a commission of diplomatic representatives intercede with the Ministers of State and Gobernacion to solve difficulties. It was finally decided that Rumanian Commercial Attaché who is secretary of Diplomatic Corps should personally undertake this mission.

WENDELIN

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852.00/3615 : Telegram

*The Consul General at Barcelona (Perkins) to the Secretary of State*

BARCELONA, October 30, 1936—7 p. m.

[Received October 31—12:30 p. m.]

*Raleigh* for Admiral Fairfield and the Secretary of State, Washington. Portuguese Consul has recently seen fit to leave Barcelona. Vice Consul Salvador has received threats against his person as the result of attempted protection of personal property of Salvador national. Vice Consul Chile recently arrested and detained by unauthorized personnel. With regard to last incident British Consul General as dean of the Consular Corps but acting on his own responsibility addressed protest to the President of the Council (Premier of Catalonia).

In view of the existence of situation in which such incidents are likely to continue to occur it is becoming increasingly evident that the Consulate General in its efforts to protect American property interests must not permit itself to be drawn into informal negotiations or triangular discussions between opposed interests with a view to the adjustment of difficulties but must rigorously limit itself to definite official protests. Otherwise it will be difficult for it to function with reasonable safety to members of the staff; for efforts to protect property against illegal seizures may be regarded by labor groups as an attempt to thwart both the social program and the military cause and earn for the person involved the epithet of "Fascist".

Copy mailed to Ambassador and Madrid.

PERKINS

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352.115/148 : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, October 30, 1936—8 p. m.

180. In a telegram received by Department October 28,<sup>78</sup> the Consul General at Barcelona reports that the International Banking Corporation has received a communication from the Industrial Cotton

<sup>78</sup> Not printed.



Committee in Barcelona stating that it had assumed possession, for the purpose of distribution, of cotton taken over in Barcelona.

Please bring the matter to the attention of the Foreign Office and say that in the event that the American shippers do not receive payment from the authorities in Barcelona this Government will be under the necessity of looking to the Government of Spain for payment in full of all cotton taken over.

CARR

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852.2222/17 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, October 30, 1936—[?] p. m.

[Received October 30—8:35 p. m.]

X-266. Decree of Ministry of War, dated October 29, published in *Gaceta de Madrid* today, makes liable for military service all male Spaniards 20 to 45 years of age inclusive. I have addressed *note verbale* to Ministry of State requesting that Spanish employees of the Embassy and Consulate be exempted from provisions of this decree.

WENDELIN

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352.1115/2138 : Telegram

*The Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, November 4, 1936—6 p. m.

Francisco Lamas Zarauza, an American citizen, yesterday tried by court martial at Ferrol on a charge of aiding the workers against the insurgents and death penalty requested. General Auditor for Justice at La Coruna states that he expects sentence to be sent to him today for revision after which Burgos Junta will be called upon to make final revision. We have instructed Consul, Vigo,<sup>79</sup> to proceed at once to La Coruna to interview the Captain General of the Eighth Division and urge upon him strongly that the death sentence be not imposed, pointing out that the imposition of so drastic a sentence could not fail to cause in the United States an intensely hostile reaction which it is presumed the insurgent authorities would not desire unnecessarily to provoke.

We desire that you request General Queipo de Llano with the least possible delay to bring this matter to the attention of General Franco

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<sup>79</sup> Telegram No. 31, November 4, 2 p. m., to the Minister in Portugal, not printed.

urging him to view the case from the standpoint of larger policy and to instruct the authorities at La Coruna, therefore, not to decree the death penalty for Lamas since the execution of this American national might well through its influence upon American public opinion have far reaching effects upon matters which are not as yet involved in this case.

HULL

352.1115/2168 : Telegram

*The Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, November 6, 1936—4 p. m.

Your November 5, 9 p. m.<sup>80</sup> Consul Vigo reports that sentence of death has actually been passed against Lamas and that General Franco alone can prevent his execution as Captain General, Eighth Division, La Coruna, highest insurgent authority in Vigo district, states that he himself has no power to pardon or to commute the sentence of the court martial. Please bring the extreme urgency of the case to the attention of General Queipo de Llano.

HULL

352.1121 Patriarca, Vincent J./30 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, November 6, 1936—9 p. m.

[Received November 6—6:05 p. m.]

X-285. My telegram No. X-264, October 29, 8 p. m.<sup>81</sup> Because of dangerous public state of mind threatening his safety I requested Minister of State this afternoon to use his personal influence to have Patriarca turned over to the Embassy.<sup>82</sup> After further conference this evening with Minister of Air who has final authority he ordered his release. Patriarca is now safe in the Embassy. No limits were placed on his release. Minister of Air said that he agreed to release him because of fear that popular feeling might make it impossible to protect him in prison.

It is requested that this action be kept strictly confidential for the time being to prevent press reports reaching Madrid, possibly en-

<sup>80</sup> Not printed; it reported that General Queipo de Llano had stated that he would take up promptly with General Franco the case of Francisco Lamas Zarauza.

<sup>81</sup> Not printed.

<sup>82</sup> In telegram No. X-360 from Valencia, received November 29, 1 p. m., Mr. Wendelin reported that Mr. Patriarca was evacuated on the *Raleigh* November 27 (352.1121 Patriarca, Vincent J./32).

dangering safety of the Embassy. This request is also made by Spanish authorities.

WENDELIN

352.1115/2191 : Telegram

*The Minister in Portugal (Caldwell) to the Secretary of State*

LISBON, November 7, 1936—noon.

[Received November 7—11:05 a. m.]

58. Line damaged and unable as yet to telephone Department's 33 and 34 to Vigo.<sup>83</sup> Stewart brought following message from Graves:

"Just received word from Auditor General at Coruna that Celaya<sup>84</sup> will be tried by court martial at Lugo Wednesday, November 11. Understand either death sentence or life imprisonment will be requested. Am planning to be present at court martial."

Department's 33 and 34 delivered personally to Stewart.

CALDWELL

352.1115/2192 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, November 7, 1936—5 p. m.

[Received November 7—3:45 p. m.]

X-290. Considerable number of American nationals and families of Embassy employees are now in the Embassy and every effort is being made to bring all who wish to come. Estimated possibly 150 persons all told may seek refuge here. We have food for that number for about 3 weeks. At present 92 native continental Americans, of whom 34 are of Spanish parentage, are registered at the Consulate; 9 naturalized American citizens; 35 Puerto Rican and 30 Philippine citizens.

WENDELIN

124.52/135 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Secretary of State*

MADRID, November 7, 1936—6 p. m.

[Received November 7—8:55 a. m.]

X-284. This morning Embassy was informed that guards would be relieved and other Embassies were similarly advised. Since perma-

<sup>83</sup> Neither printed.

<sup>84</sup> See telegram of October 17, 1 p. m., from the Consul General at Lisbon, p. 739.

ment assignment of present guards at the Embassy has been point upon which I have insisted from the beginning as essential measure of protection, receiving repeated assurances thereon from Minister of State, I managed to see Alvarez del Vayo at War Ministry this afternoon and through his intercession Minister of Gobernacion agreed to countermand order insofar as this Embassy is concerned. No actual attempt to relieve guards has been made.

WENDELIN

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852.00/3709 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 7, 1936—8 p. m.  
[Received November 7—4 : 50 p. m.]

X-292. Government officially notified Dean of the Diplomatic Corps at 11 : 30 this morning, in note dated yesterday, that it had decided to transfer the capital of the Republic to Valencia which from that date is the official seat of the Government. No suggestion was made in this communication, or otherwise, that foreign missions should leave Madrid. At meeting of Diplomatic Corps this afternoon, all representatives except Russian Ambassador, who was not present, expressed intention to remain in Madrid.

WENDELIN

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852.00/3722 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 9, 1936—noon.  
[Received 1 : 16 p. m.]

X-297. Reference military report my telegram No. X-296, November 9, noon.<sup>85</sup> Safety zone proclaimed by rebels is bounded on west by the Castellana. Embassy is located on western side of this boundary. In addition to proclaiming this safety zone rebel announcement required all embassies and legations be prominently marked. Since many diplomatic missions are full of Spanish rebel sympathizers will undoubtedly do their best for this reason if for no other to safeguard them. Large American flags are prominently displayed on all sides of the Embassy grounds as well as on roof. No danger is apprehended for Embassy at present except of course from possible misdirected artillery fire or aerial bombing.

WENDELIN

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<sup>85</sup> Not printed; it reported the announcement "on radio and in posters from airplanes boundary lines of safety zone for city bombardment which is northeast quarter." (852.00/3719)

352.1115/2191 : Telegram

*The Acting Secretary of State to the Minister in Portugal (Caldwell)*

WASHINGTON, November 9, 1936—6 p. m.

37. Your 58, November 7, noon. For Graves, Vigo, by most expeditious available means.

The same considerations apply, of course, in the case of Celaya as in that of Lamas. Popular indignation in the United States is indeed likely to be even greater in the event of imposition of the death sentence on Celaya since he is charged merely with endeavoring to render unusable a motor car requisitioned from him by the insurgents. Endeavor therefore to have Captain General recommend leniency to the Court Martial.

We instructed our Consul at Seville to take up the Lamas case through General Queipo de Llano since he had already established contact in other matters with General Franco through that General, who is moreover a member of the Burgos Junta and it was obvious that to avoid loss of time we should approach General Franco through whatever already established contact was available. If the decision reached by the coming Court Martial warrants such action we shall take up the Celaya case through General Queipo de Llano also. It would seem however that cases in your district should be taken up with General Franco by the General actually immediately concerned if possible. As we have no knowledge of the identity or comparative standing of the Captain General of the 8th Division we do not know whether he is in a position to make recommendations directly to General Franco but it would seem desirable that he rather than General Queipo de Llano should place our views with regard to the Celaya case before General Franco, or if this is not possible for him that he should at least take up the case with his immediate superior with the urgent request that our position be brought with as little delay as possible to General Franco's attention. If the Captain General is unwilling to take such action or you believe that his action should be supplemented by an appeal through General Queipo de Llano telegraph the Department and appropriate action will be taken.

MOORE

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852.00/3724 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 10, 1936—8 p. m.

[Received November 10—6:45 p. m.]

X-301. President of Supreme Court, Mariano Gomez, as ranking member of Government in Madrid but on his own initiative, called

upon Chilean Ambassador, Dean of the Diplomatic Corps, and upon British and French representatives and myself this afternoon to express his great concern over possibility of masses getting out of hand if rebel bombardment of civilian population of Madrid continues. He described his own efforts to assure proper trial of prisoners and in general to assist Government and present military Junta in maintaining public order and preventing outburst of unconstrained mob fury. He declared that although the Government had wished to transfer Supreme Court to Valencia he had opposed it believing that in remaining here judicial authorities could assist Junta in maintaining public order. He concluded by requesting that diplomatic representatives jointly and individually support efforts of military and civilian authorities in Madrid to maintain order and policy of serenity. I assume the British Embassy was in close and friendly communication with the present authorities and lent its moral support to their very laudable endeavors in the above sense.

From personal conversation with prominent members of the Junta now governing Madrid and from such evidence of its efforts to maintain order as that indicated in my telegram No. X-299 of November 10, noon,<sup>87</sup> I am convinced that authorities are doing everything possible to control situation. Nevertheless every new bombardment of Madrid with ensuing killing and wounding of women and children in particular adds fuel to popular wrath which may seek revenge especially upon political prisoners. Leading authorities Diplomatic Corps this evening discussed above situation and it was agreed that delegation including British and Argentine Governments would consider means of transmitting communication to General Franco the rebel commander requesting cessation of aerial bombardment of Madrid and limitation of artillery bombardment to fortified positions. At the same time this delegation will call upon military governor of Madrid tomorrow to request that in return guarantee of safety of political prisoners be given and utmost efforts used to maintain internal order in this city.

WENDELIN

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352.1121 Ordonez, Eduardo/1 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 11, 1936—3 p. m.  
[Received November 11—11:45 a. m.]

X-303. Reference Department's telegram of September 26 to Consulate<sup>87</sup> authorizing registration for 4 months of Eduardo Ordonez, person mentioned was in prison for past 2 months charged with com-

<sup>87</sup> Not printed.

plicity in Fascist intrigues against Government. He admitted having belonged to the Spanish Phalanx (Fascist organization) which alone would ordinarily be enough to condemn him. Embassy and Consulate have used every effort for past month to obtain his release but for some time found efforts constantly checkmated despite good will of authorities. He was finally released yesterday and brought to the Embassy after personal intervention of military governor, delegate of public order and president of Supreme Court. Latter appointed special judge to take *pro forma* testimony which supported by my letter certifying that he had not participated in subversive activity against regime was accepted as justification for his release.

As far as I know there are now no American nationals under arrest in Madrid.

WENDELIN

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352.1115/2248 : Telegram

*The Minister in Portugal (Caldwell) to the Acting Secretary of State*

LISBON, November 13, 1936—noon.

[Received November 13—11:20 a. m.]

62. Department telegrams 39 and 40<sup>88</sup> and circular November 11, 6 p. m.,<sup>89</sup> telephoned Graves who dictated following message:

“Court martial sentenced Celaya to 20 years in prison. I am advised orally that Captain General and Auditor General of the Eighth Division will approve this sentence. They feel that they cannot conscientiously take more favorable action since prosecuting attorney at court requested death sentence. Sentences not involving death are not usually subject to higher revision than that of the divisional authorities.

Although the Department will undoubtedly consider sentence of 20 years severe it should be borne in mind that death or life imprisonment are virtually the only sentences being handed down by courts martial trying cases of alleged military rebellion. The question of the mitigation of Celaya's sentence and his ultimate release can be taken up whenever the Department considers the time opportune.

The Auditor General at Coruna informed me yesterday that nothing has been heard from Burgos concerning Lamas case.<sup>90</sup> He promised to let me know as soon as anything was received. Referring to Department's telegram of November 4, 2 p. m.,<sup>91</sup> third paragraph, I desire to emphasize that I can find no evidence that any action or correspondence of Vigo Consulate has prejudiced insurgent authorities in any case handled by it. Stewart's relations with all authorities in the district excellent.”

CALDWELL

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<sup>88</sup> Neither printed.

<sup>89</sup> Circular telegram to all consular officers in Spain not printed; it contained instructions regarding relief of Filipinos stranded in Spain (352.11B 15/98).

<sup>90</sup> On January 20, 1937, the Department was informed that the death sentence imposed upon Francisco Lamas Zarauza had been commuted to life imprisonment (352.1115/2723, 2860).

<sup>91</sup> Not printed.

852.00/3768 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 13, 1936—5 p. m.  
 [Received November 14—11:45 a. m.]

X-309. My telegram No. X-301, November 10, 8 p. m. Delegation representing Diplomatic Corps composed of Mexican Ambassador and British and Argentine Chargé d'Affaires called upon military governor of Madrid November 11. Statement was simultaneously made public by secretary of Corps explaining that purpose was to offer "the fullest cooperation of the Diplomatic Corps in whatever undertaking might be of service to the people of Madrid and especially with regard to the safety of the civilian population". At the same time the delegation raised question of informal representations to rebel command not to bombard civilian population but military governor expressed great doubt whether latter could or would accept such suggestion. No further action is therefore being taken on this point.

The above action by the Diplomatic Corps nevertheless has received very favorable publicity in local press and should help to prevent or counteract public hostility toward foreign missions. Editorials in press praise initiative taken, *El Socialista* yesterday declaring that it is the obligation of the people of Madrid to "reciprocate by showing that Madrid, in the hour of war, does not forget the respect due the vanquished". The editorial recalls the general order of the Minister of War some time ago to respect all prisoners and asserts that this should be extended to include all those who have been taken prisoners since the beginning of the war both within and outside of Madrid. The safety of numerous political as well as war prisoners has been a source of deep anxiety especially since many are known to have been executed without trial despite efforts and pledges of Government. It is hoped that the present gesture may help to prevent general massacre by mob impelled to seek revenge for rebel air bombardments.

WENDELIN

352.1115/2248 : Telegram

*The Acting Secretary of State to the Minister in Portugal (Caldwell)*

WASHINGTON, November 13, 1936—6 p. m.

41. Your 62, November 13, noon. For Graves, Vigo:

Since it seems probable that under present conditions the sentencing of Celaya to imprisonment rather than to death is the best result which could have been obtained from the insurgent authorities by this Government's representations we concur in your suggestion that steps to



bring about the mitigation of Celaya's sentence and his ultimate release should be deferred for the time being until a more favorable opportunity offers itself. In the meantime in order that we may have full information upon which to base our ultimate appeal please mail the Department a full report of the trial together with an affidavit by Celaya stating his version of the occurrences which led to his arrest.<sup>92</sup>

MOORE

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852.00/3763 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 13, 1936—10 p. m.  
[Received November 14—10:10 a. m.]

X-311. My telegram No. X-297, November 9, noon. British Chargé d'Affaires informed me this afternoon that he was contemplating requesting his Government to communicate informally to rebel authorities request that safety zone announced by them in Madrid be extended slightly to the west of Castellana Avenue to include area in which are located British, American and several other diplomatic missions. He asked my opinion in this regard and we agreed that the effort was worth while even though no concrete assurances may be obtained.

WENDELIN

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852.00/3763 : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, November 14, 1936—1 p. m.

191. Your X-311, November 13, 10 p. m. Please keep us informed as to action British may take in order that we may be in a position to act promptly in the event that similar action on our part seems advisable.

MOORE

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704.1452/1 : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, November 15, 1936—1 p. m.

194. The following telegram has been received from the American Legation at Guatemala:

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<sup>92</sup> Report not printed.

"November 14, noon. Urgent. I have just received a note from the Acting Minister for Foreign Affairs requesting that the American Government assume protection of Guatemalan interests in Spanish territory and assist the Guatemalan Chargé d'Affaires in Madrid to leave the country as his [*sic*] fears are entertained for his personal safety because of the recent recognition of the Spanish rebel government by Guatemala.<sup>98</sup> The note also expresses fears for the safety of Guatemalan lives and consular representatives in Spanish territory."

We will leave it to your discretion to take any action along the lines of assisting the Guatemalan Chargé in the event of his being in personal danger. Before acting in the matter of taking charge of Guatemalan interests we would like a report from you as to what this would consist of and your comment as to whether it would be feasible. You are also authorized to lend to Guatemalan Consular Officers and Guatemalan nationals any assistance you may properly extend provided it meets with no objection on the part of the Spanish authorities.

MOORE

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852.00/3781 : Telegram

*The Acting Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, November 16, 1936—12 p. m.

Our Legation at Lisbon reports that it has just received tonight a note without external indications as to origin, but signed by Amoedo, insurgent representative in Lisbon, warning that the port of Barcelona may be bombed without notice and advising immediate evacuation by foreign vessels and citizens.

Inquire of General Queipo de Llano and report immediately to the Department whether the message received by our Legation is to be taken as authentic notice of intention of insurgent authorities to bomb Barcelona in the near future. In the meantime the message received by Lisbon is being repeated to our Consul General, Barcelona and to the Navy Department for the information of Admiral Fairfield.

MOORE

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704.1452/2 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 17, 1936—noon.

[Received 5:30 p. m.]

X-317. Department's 194, November 15, 1 p. m. Guatemalan Chargé d'Affaires informs me that his Government accepting press

<sup>98</sup> See telegram No. 76, November 9, 9 a. m., from the Chargé in Guatemala, p. 553.

reports of capture of Madrid by rebels as true instructed him by radio in clear on November 8 to convey its recognition to General Franco. This message was intercepted by Government and gravely endangered safety of himself and refugees in the Legation but through persons friendly with Government he has been able to prevent publication of news in local press and has received every assurance of protection. He reported circumstances in detail to his Government which then became justly alarmed over consequences and approved his efforts to maintain *status quo* disregarding instructions to inform Franco of recognition accorded. He feels sure he is not now in personal danger but states that on specific orders of his Government he plans to leave Madrid as soon as he can arrange for protection Legation, Consulate and persons sheltered there by some other mission. He will not however leave country, remaining Valencia to maintain relations with Government for the time being.

Some 40 or 50 persons all Spaniards except 3 or 4 Guatemalans have been given asylum in the Legation. In addition on offer of Chargé d'Affaires, local authorities have placed small number refugees from near-by towns in the Consulate building under protection Guatemalan flag and a dozen others are in Legation. Protection of Legation and Consulate and refugees therein is only problem as there are no other Guatemalan citizens or business interests in Madrid.

Consul General of Guatemala at Barcelona is leaving country today, other consular representatives are all honorary of Spanish nationality. Chargé d'Affaires considers no assistance needed except possibly at Valencia where he will be in touch with our Consul if and when he goes there. In the meantime I have offered him refuge in the Embassy whenever he may feel personal safety endangered.

To take charge of Guatemalan interests this time means exclusively in practice undertaking protection of Spanish refugees in the Legation which is not a separate building but occupies certain floors of an apartment building. Remainder of building is occupied by private families but entire building nevertheless is under the protection of Guatemalan flag. Approximately 25 of refugees are insurgent and 10 or 15 Government sympathizers. Thus former are now in personal danger and latter will be if rebels enter Madrid. Our protection of latter would perhaps be difficult after rebel entry unless we recognize Franco government immediately. I do not therefore think it advisable to take charge of Guatemalan interests here, primarily because I fear circumstances may arise under which I would be powerless to fulfill responsibility to protect refugees mentioned. As regards personal safety Guatemalan Chargé d'Affaires there now appears no grave danger but if it should develop [apparent omission] that he may

come here. As a matter of fact the military situation is such that within a very short time the rebels may have control of Madrid thus automatically solving problem.

WENDELIN

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852.00/3788 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 17, 1936—9 p. m.

[Received November 17—7 p. m.]

X-319. My telegram No. X-311, November 13, 10 p. m., and Department's 191, November 14, 1 p. m. British Ambassador [*Chargé?*] understands that his Government has instructed British Ambassador at St. Jean de Luz informally to request Burgos government, through their unofficial representative there, to include in safety zone announced by it, area in which are located British and American Embassies among others. This area is triangular in shape, adjoins previously announced safety zone on west and is bounded as follows: Paseo de la Castellana on the east; Genova Street on south; Almagro and Zurbano Streets on west joining Castellana to north at new ministerial buildings. If the Department deems it advisable informal representations in the same sense as of the British might be made through Ambassador Bowers.

Thus far the rebels have avoided direct bombardments of Embassy area as well as safety zone although a few bombs and shells probably misdirected have fallen therein. However, the original rebel announcement is understood to have been qualified by the statement "unless the Government forces use it as a focus for military operations."

WENDELIN

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704.1452/2 : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, November 18, 1936—3 p. m.

196. Your X-317, November 17, noon. We concur in your opinion that it would be inadvisable to take charge of Guatemalan interests at this time. We have no objection, however, to your giving shelter to the *Chargé d'Affaires* in the event that he feels his personal safety endangered. You may also, in your discretion, give refuge in the Embassy to such Guatemalan nationals as your facilities permit.

MOORE

852.00/3799 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 18, 1936—8 p. m.  
 [Received November 19—7:20 p. m.]

X-323. Diplomatic Corps is much exercised at very serious conditions existing in Spain and especially in Madrid which is target for artillery and air bombardment devastating wide zone of city and with heavy loss of civilian life. At meeting today resolution was unanimously passed that each head of mission should draw attention of his Government to this state of affairs with a view to moving League of Nations or other appropriate international organizations to take some urgent steps for putting an end to or mitigating this unfortunate slaughtering of civil population.

The resolution adopted by Diplomatic Corps today was taken orally and followed by a series of observations and reservations by various representatives which will indicate little effective action likely to be taken by their Governments. Nevertheless since action is based on humanitarian grounds all representatives have felt obligated to report it to their Governments. First paragraph above was drafted by British and Argentine Chargé d'Affaires and myself as representing accurate expression of scope of resolution. Chargé d'Affaires of Argentina requests that text of first paragraph above be transmitted to Ministry of Foreign Relations at Buenos Aires since he has no code here.

In my opinion above action represents merely friendly gesture doomed to failure but which may have beneficial effects locally when it becomes known.

WENDELIN

852.00/3795 : Telegram

*The Acting Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, November 19, 1936—10 a. m.

Although the Embassy quarter in Madrid has not so far been subjected to bombardment we are informed that the British Foreign Office has instructed its Ambassador at Hendaye as a precautionary measure informally to request the Burgos Junta to extend the Madrid safety zone sufficiently far to the west of Castellana Avenue to include the British, American and other nearby Embassies and Legations.

Please request General Queipo de Llano to inform General Franco

that we associate ourselves unreservedly with this British request and earnestly hope that he will comply therewith to the fullest extent within his power.

MOORE

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852.00/3811 : Telegram

*The Consul at Seville (Bay) to the Acting Secretary of State*

SEVILLE, November 19, 1936—11 a. m.

[Received 4:25 p. m.]

Referring to Department's telegram of November 16, noon, General Queipo de Llano transmitted to me this morning text of a telegram received by him from General Franco stating that the representative of the National Government in Lisbon has been instructed to inform foreign governments of the intention of the National Government to stop all traffic with the port of Barcelona by all military measures even to the destruction of that port, should it become necessary. Communication added that no further notice is to be given and that foreign vessels should leave that port at once. It recommended that foreigners and non-combatants residing in Barcelona, abandon the city especially the zones near the port.

BAY

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852.00/3812 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 19, 1936—5 p. m.

[Received November 19—3:45 p. m.]

X-326. Note from Ministry of State dated at Valencia November 13 just received refers to *note verbale* of August 20 reported in my telegram No. X-79, August 21, 8 p. m., and requests in confirmation and clarification therinto that I inform my Government as follows:

"Because a zone of war is declared in all Spanish ports of the peninsula, place of sovereignty (*Plazas de Soberangu* i. e. Ceuta and Melilla), and the protectorate zone in Morocco, and the colonies of Rio de Janeiro, Ifni and Guinea continental and insular, the Government of the Republic has ordered that no vessel may enter the said ports or territorial waters without its prior authorization. This measure, which it considers indispensable for the most rapid reestablishment of legal normality, includes Spanish as well as foreign vessels, and seeks to protect them, insofar as possible, from the risks which

military operations might cause them, and the responsibility for which the Spanish Government considers itself relieved by these modifications until the end of the war caused by the military revolt.”

WENDELIN

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852.00/3799 : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, November 19, 1936—6 p. m.

198. Your X-323, November 18, 8 p. m. We shall be glad to give our support to any practicable steps aiming to bring about the cessation of artillery and air bombardment of the civil population of Madrid. We shall, therefore, appreciate your keeping us informed as to the reaction of the several Governments to the resolution of the diplomatic corps reported in your telegram under reference.

In accordance with the request of the Chargé d’Affaires of Argentina the text of the first paragraph of your telegram is being transmitted to the Ministry of Foreign Relations at Buenos Aires through our Embassy there.

MOORE

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852.00/3813 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 19, 1936—10 p. m.

[Received November 19—8:15 p. m.]

X-328. Department’s telegram No. 197, November 19, 10 a. m., and my telegram No. X-325, November 19, 3 p. m.<sup>94</sup> According to a radio announcement picked up from British and Italian stations neutral zone has been extended by rebels to south and west as indicated. This extension includes area in which this Embassy as well as British, Belgian, Dutch, Danish, Peruvian, Guatemalan and several other diplomatic missions are located. Rebels have thus far respected neutral area in aerial and artillery bombardments. Thousands of refugees from other parts of city and suburbs are crossing into it filling all available houses and apartments.

WENDLIN

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<sup>94</sup> Neither printed.

852.48/14 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 19, 1936—10 p. m.

[Received November 19—9:10 p. m.]

X-329. In conversation yesterday with British and Argentine Chargé d'Affaires latter suggested that it would be great humanitarian work if foreign governments or private agencies should send supplies of food and clothing for civilian population in Madrid, especially women and children. The situation here in this respect is truly deplorable and regardless of which side finally wins present struggle for the city neither will be able in all probability to provide food and clothing at all adequate to meet the situation. The shipment and distribution of supplies probably could be placed in charge of some international organization to avoid any charge of partiality or assistance to either side.

While suggested solely by humanitarian considerations such action would bring us much good will and from the purely selfish point of view would represent a good investment. Incidentally, it would provide a means of sending provisions and supplies to this Embassy which otherwise, if we remain here, we shall find it increasingly difficult to obtain.

The above suggestion is also being submitted to their Governments by the British and Argentine representatives. I would appreciate receiving the Department's opinion of its feasibility.

WENDELIN

124.52/135a : Telegram

*The Acting Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, November 20, 1936—4 p. m.

B-69. We have today sent to Wendelin and Perkins the telegrams quoted hereunder. We shall appreciate receiving as soon as possible your specific recommendations with regard to the matters discussed therein, taking into account the obvious danger to which our people are constantly exposed.

"Amembassy Madrid Your X-329, November 19, 10 p. m. Your report of the deplorable inadequacy of Madrid's food supply and your suggestion that the Embassy itself may soon be seriously lacking in this respect causes us the greatest concern for you and for the consider-



able number of Americans in the Embassy for whose welfare we are now responsible. As the military situation is such that any attempt to provide you and the American nationals under your charge with adequate food supplies would seem wholly impracticable, we feel that you should give immediate consideration to the desirability of closing the Embassy and proceeding with your American staff and such American nationals as wish to take advantage of the opportunity to leave Madrid under your escort to whatever port you can most easily reach. Arrangements will be made to evacuate you and your party from this port by one of our naval vessels. Please do not discuss this matter with anyone not on your staff until a final decision is reached."

"American Consul Barcelona. Our November 20, 1 a. m. The exceedingly dangerous situation in which our citizens and the officers and staff of our Consulate General may find themselves if the port of Barcelona is actually attacked as threatened by the insurgents causes us the greatest concern. We shall therefore appreciate your reporting as promptly as possible whether in the circumstances you believe our office in Barcelona should now be closed and our officers and American staff together with all American nationals willing to leave the city be evacuated."

MOORE

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852.01/156 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Acting Secretary of State*

MADRID, November 20, 1936—5 p. m.

[Received 5:15 p. m.]

X-331. At request of official in charge of German Embassy here, I am forwarding following message to the Embassy at Berlin for transmission to German Foreign Office:

"Advise under which protection Embassy and German citizens at Madrid should be. Situation very dangerous having Spanish refugees. Armaments not sufficient. Cable immediately. Ahles."

German and Italian Embassies here are heavily guarded but publication in last evening's press of news of recognition of Burgos government by those Governments<sup>95</sup> has undoubtedly placed them in serious position. Situation of German Embassy particularly serious in case of mob attack because of large number of Spanish as well as some German refugees there.

WENDELIN

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<sup>95</sup> See telegram No. 471, November 18, 7 p. m., from the Ambassador in Italy, p. 558.

352.1115/2312 : Telegram

*The Consul General at Barcelona (Perkins) to the Acting Secretary of State*

BARCELONA, November 20, 1936—8 p. m.

[Received 9:40 p. m.]

Your cipher telegram, November 20, 1 p. m. [*a. m.*],<sup>96</sup> I believe answered in my telegram of November 20, 6 p. m.<sup>97</sup>

Following notice sent to Americans tonight:

“Citizens of the United States of America and under the protection of the United States of America who continue to remain in this consular district during the present disturbed conditions should and do understand that they do so at their own risk and on their own responsibility.

This Consulate General is liable to be closed at any time. In such a contingency, it is believed that it would not be practicable to give previous notice of this fact.”

British Consulate General has issued notice of similar tenor.

PERKINS

704.1452/5 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 20, 1936—8 p. m.

[Received November 20—6:40 p. m.]

X-332. Department's telegrams No. 196, November 18, 3 p. m., and 199, November 19, 7 p. m.,<sup>98</sup> have been received. Guatemalan Chargé d'Affaires went to Valencia yesterday and reported to his Legation here today that he expects to reach satisfactory understanding regarding situation with Minister of State, as a result of which, he feels no special danger threatens Legation. Chilean Ambassador is representing Guatemalan interests here which, as reported, at present consist entirely of protection of Legation, Consulate and refugees therein. My good offices, if requested, would be used only in behalf of Guatemalan nationals or in support of representations to authorities to respect Legation.

WENDELIN

<sup>96</sup> See telegram No. B-69, November 20, 4 p. m., to the Ambassador in Spain, then in France, p. 766.

<sup>97</sup> Not printed.

<sup>98</sup> Latter not printed.

124.52/136 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

ST. JEAN DE LUZ, November 21, 1936—1 p. m.

[Received November 21—11 a. m.]

164. Your telegram No. B-69, November 20, 4 p.m. I think our officials in Madrid if convinced of peril and confronted with early exhaustion of food supplies should use their own judgment. Have understood sufficient food in the Embassy for a month and battle for Madrid should be over within that time. Our withdrawal, thus losing contact with authorities particularly at this time following immediately actions of Germany and Italy, may be misinterpreted to our serious disadvantage. If our Consulate at Barcelona is closed at the same time this bad impression will be accentuated. We may be sure that the rebel radios will make the most of our action with their own interpretations and the effect on such American interests as the Telephone Company may be very bad. So long as the British, French, Belgian and other Embassies remain in Madrid I should regret our departure. If all these can evacuate simultaneously on the ground of peril due to the battle it would be different. More serious it seems to me is your plan to evacuate the Embassy not only from Madrid but from Spain. I must acquiesce in whatever decision you may make but I do feel strongly that the closing of the Embassy and the withdrawal of the Consulate in Barcelona in the immediate wake of the action of Germany and Italy can have most disagreeable repercussions.

BOWERS

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852.00/3836 : Telegram

*The Ambassador in Spain (Bowers), Then in France, to the Acting Secretary of State*

ST. JEAN DE LUZ, November 21, 1936—3 p. m.

[Received November 21—1 : 40 p. m.]

165. Last night British Ambassador called to show me a telegram to Franco asking him to confine bombing to military purposes and to spare noncombatant population of Madrid and warning him of reactions of the world. This morning French Ambassador called and said his Government does not communicate direct with Burgos government but that on instructions he sent his Military Attaché to San Sebastián to express similar views to the military governor there. He thinks Franco unable to take Madrid and losing prestige in consequence and that action of Germany and Italy was to bolster up failing

prestige. He fears that Franco finally unless warned may in desperation try to carry out his threat to destroy Madrid utterly and feels the civilized world cannot by silence acquiesce. You may wish to consider whether Seville should make suggestion to commander there that bombing and shelling in Madrid should be confined to really military objectives.

BOWERS

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124.52/138 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 22, 1936—2 p. m.

[Received 11:30 p. m.]

X-334. Department's telegram No. 200, November 20, 4 p. m.<sup>99</sup> and our telephone conversation last evening. Disregarding political considerations in accordance with Department's position two factors primarily influence decision to remain at Madrid or to evacuate, one, the possible shortage of food and fuel and the other the possible danger to the staff in remaining. My telegram X-329, November 19, 10 p. m., had reference to the food shortage in Madrid generally. At present situation of the Embassy in this respect is not serious. We have provisions for 2 weeks and are still able to obtain more outside. Fuel problem is probably more serious as there is acute shortage of coal and wood in the city. We have sufficient fuel to heat Embassy and run kitchens for 2 or 3 weeks more.

Danger to the Embassy thus far has been slight as it is located in center of neutral zone recently announced by rebels which is about one mile long north to south and half a mile wide. Rebels have respected this area in air and artillery bombardment to date. As noted in Embassy military reports they appear to be directing their attack toward strategic Government positions in western and northwestern parts of city. While these conditions continue the slight danger to the Embassy and staff from possible misdirected bombs or shells would not appear in itself to justify immediate evacuation. Military Attaché is of the opinion that "the danger to the staff is slight".

On the basis of the above facts I believe we should remain in Madrid a few days longer until outcome of expected rebel attack is more clearly seen. If it then appears that rebels cannot take city without

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<sup>99</sup> See telegram No. B-69, November 20, 4 p. m., to the Ambassador in Spain, then in France, p. 766.

long struggle and possible siege we could then evacuate before route to coast is cut off and before our food and fuel are exhausted.

There are many practical difficulties in regard to evacuation. Means of transportation must be found and I am informed today by military authorities that it is practically impossible to obtain automobiles here. At their suggestion I am endeavoring to get in touch with Minister of State at Valencia to request that he send necessary automobiles to evacuate staff and Americans desiring to leave on day requested by me. In accordance with Department's instructions by telephone yesterday I shall inform him that in that case I shall remain at Valencia. I am reluctant to use privately owned automobiles now at the Embassy for evacuation as there is no assurance that they will be permitted to proceed to France or remain at Valencia without being seized. I shall request guarantees on this point from Minister of State and if necessary we can evacuate by this means.

There are now in the Embassy 35 continental American citizens including staff, 1 Canadian, 7 Spanish wives and children of American nationals, 1 Italian wife, 14 guards furnished by Spanish Government and 73 Spanish employees, servants and their wives and children. Many of these people have come from areas now under fire and some have had their homes destroyed. If we should evacuate we would be morally obligated to make some provision for sheltering these people until the local situation is cleared. It is doubtful whether any considerable number of American nationals will decide to leave. For this reason more than any other I should prefer to postpone evacuation for a few days in the hope that some final decision may be reached in the struggle for Madrid. If it appears that no immediate decision is likely I believe it would be highly advisable to close the Embassy entirely as the Department originally instructed in its telegram No. 140, September 29, 1 p. m., [apparent omission] those refugees who live in the neutral zone and decline to leave with the staff could return to their homes. For those whose homes have been destroyed or are in dangerous areas we would endeavor to find places of refuge in our own residencies or other places within the safety area, Embassy servants who habitually live on the grounds and the servants of the Ambassador could of course remain there.

The Residencia para Señoritas, two blocks from the Embassy is the property of the International Institute for Girls in Spain, 15 South Portland Avenue, Brooklyn, New York, of which Dr. William A. Neilson, President of Smith College, is President. This building is one of the few in Madrid that has not as yet been taken over for refugees or some other purpose. I have today obtained the assurance of the military authorities that it will not be taken over but will be preserved

for our use as possible place of refuge for American nationals. Two guards have been assigned to protect it. This building is thoroughly equipped to take care of 100 people or more if necessary. If the Department approves I would request that Dr. Neilson's approval be sought to use this building temporarily for American refugees in case the Embassy staff leave and the Embassy is closed. It is my opinion that only by insisting that we may need this building ourselves can its use for other purposes be prevented.

I shall report fully on results of conference with Minister of State and progress of local situation.

WENDELIN

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124.52/139 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 22, 1936—6 p. m.

[Received 9:05 p. m.]

X-336. My telegram No. X-334, November 22, 2 p. m. Minister of State has just advised in telephone conversation from Valencia that he will probably be able to provide necessary automobiles from there to evacuate American nationals desiring to leave Madrid. He will inform me definitely tomorrow when I am in a position to estimate more accurately number of persons desiring to leave. He inquired whether in this case I would go to Valencia and I informed him that my impression was that my Government would so instruct. Before leaving Madrid in any case, however, I should like to complete arrangements to close Embassy, house American refugees remaining here in Residencia de Señoritas if the Department approves.<sup>1</sup>

Referring to last sentence of Department's telegram No. 200, November 20, 4 p. m.<sup>2</sup> newspapermen here were informed of Department's action from Washington even before receipt of Department's telegram, Navy press news picked up by our radio operator yesterday carried same report.

WENDELIN

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<sup>1</sup> In telegram No. 201, November 23, 11 a. m., giving Mr. Wendelin instructions regarding withdrawing to Valencia, the Department disapproved taking over the Residencia para Señoritas as a refuge for Americans; Mr. Wendelin was instructed to designate one of the Spanish employees as custodian of the Embassy which might be used as a refuge only for Spanish employees and servants and their families and for American nationals unable to leave Madrid (352.1115/-2323).

<sup>2</sup> See telegram No. B-69, November 20, 4 p. m., to the Ambassador in Spain, then in France, p. 766.

124.52/142a : Circular telegram

*The Acting Secretary of State to President Roosevelt*<sup>3</sup>

WASHINGTON, November 23, 1936—1 p. m.

In view of the dangerous military situation I have today instructed our Chargé d'Affaires in Madrid, Eric C. Wendelin, to evacuate to Valencia where they will be picked up by one of our naval vessels, all American nationals willing to take the opportunity to leave Spain under the escort of our Embassy staff. After having completed the embarkation of our nationals Wendelin will remain at Valencia with his staff for the time being. He has been directed to make it clear to the Spanish authorities that in making this decision we have been actuated wholly by concern for the safety of our nationals and have not been influenced in any way whatsoever by political considerations. We shall similarly make it clear to the American press that in directing Wendelin to leave Madrid the safety of our nationals and staff there has been our sole concern.

MOORE

852.01/161 : Telegram

*The Ambassador in Germany (Dodd) to the Acting Secretary of State*

BERLIN, November 23, 1936—2 p. m.

[Received November 23—2 p. m.]

346. Following telegram was received Saturday evening from American Embassy at Madrid signed Wendelin:

[Here follow the first two paragraphs of telegram No. X-331, November 20, 5 p. m., from the Third Secretary of Embassy in Spain, printed on page 767.]

Message was immediately delivered to State Secretary Dieckhoff. This morning Weizsaecker, political director of the Foreign Office, called Mayer over to have what he termed a purely personal and informal conversation with regard to the above.

Weizsaecker explained at length the German position to the effect that they recognized Franco as the only Spanish government and did not recognize the existence of any other authorities. In the circumstances it was not possible for Germany to ask any other country to take over representation of their interests since in the German view there was nothing to represent in "red Spain." Weizsaecker then said that despite all their efforts before the departure of the German

<sup>3</sup> Sent also to the Secretary of State, to the Embassies in Germany, France, Italy, and the United Kingdom, to the Legation in Portugal (for its own information and for the Vigo Consulate), and to the Consuls at Seville and Barcelona.

Chargé from Madrid and Alicante and the withdrawal of German consular representatives in "red Spain" a certain number of Germans had refused to leave. Some of Germans remaining in Madrid are living in the old German Embassy. Likewise during the early days of the conflict some 50 odd Spaniards had taken refuge in the German Embassy unbeknown to the Chargé but could not be evicted because to do so would have been inhumane in all the circumstances. They are still there. The situation in Madrid and Barcelona therefore is that there is no German representation or recognition of even the existence of the so-called Madrid Government but there are certain Germans and certain Spanish refugees who are without any protection and in extreme danger.

Weizsaecker did not wish to make any request official or otherwise of the American Government and repeated his preliminary observation that this conversation was entirely informal and based on a friendship covering a period of years. Wishes this clearly understood and having in mind the plight of those Germans still remaining in Spain he hoped that the American Government might be able to instruct its diplomatic and consular representatives in Spain to do whatever they might consider feasible, proper and safe for themselves with a view to extending what aid was possible, on a purely humanitarian basis, to Germans in Spain if and as requested by them so to do.

Weizsaecker added that they had received through the Chilean Embassy Friday the same message sent through Wendelin and that he had informed the Chilean Embassy here in accord with the above that the German Government would hope that the Chilean representatives in Spain would do everything they could on humanitarian grounds to help Germans still remaining in Spain.

DODD

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352.1115/2336 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the  
Acting Secretary of State*

MADRID, November 24, 1936—1 a. m.  
[Received November 23—9 : 35 p. m.]

X-341. Department's telegram No. 201, November 23, 11 a. m.,<sup>4</sup> received and instructions are being carried out as rapidly as possible. As reported in my telegram No. 336, November 22, 6 p. m., it is doubtful whether more than a small proportion of the 170 American nationals now in Madrid will decide to leave. The number deciding to

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<sup>4</sup>Not printed; but see circular telegram, November 23, 1 p. m., p. 773.



leave will not be known with any exactitude until tomorrow afternoon. Transportation facilities promised by authorities at Valencia will not be available to leave Madrid until Thursday morning at the earliest. Message from Admiral Fairfield just received advises that *Hatfield* will be at Valencia next Wednesday. In view of above situation respectfully request Admiral be instructed not to proceed until further notice. In any event not more than one ship will be necessary unless there is some other consideration than the immediate evacuation of Americans.

In this connection it is desired respectively [*respectfully*] to put on record that every American member of the staff is entirely willing to continue on duty in Madrid and that their evacuation is not at the request or the intimation of a desire to leave on the part of either myself, Consul Johnson or the Military Attaché.

WENDELIN

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352.1115/2358 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 24, 1936—4 p. m.  
[Received November 24—3:45 p. m.]

X-346. Present indications are that about 30 people will decide to leave with staff. All Americans in the Embassy have been requested to make known their decision by 5 p. m. today. We are still endeavoring, however, to get in touch with all of remaining American nationals outside of the Embassy. I have been trying to get in touch with Minister of State at Valencia all day and hope to do so this afternoon. I shall inform him of Department's decision and reasons therefor in accordance with instructions your telegram No. 201, November 23, 11 a. m.<sup>5</sup> At the same time I shall request him to communicate same to General Miaja, President of Madrid Defense Council, whom I shall also inform personally if permitted. I am requesting written assurances from authorities that Embassy and Consulate guards will not be removed or replaced. In order to prevent delay I shall request Minister of State to send automobiles at once sufficient to transport maximum estimated number of persons likely to leave, at the same time requesting that truck be sent to transport heavy baggage. Consulate at Valencia is being kept currently informed and will maintain communication with Spanish authorities there.

WENDELIN

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<sup>5</sup> Not printed; but see circular telegram, November 23, 1 p. m., p. 773.

352.1115/2359 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 24, 1936—7 p. m.  
[Received November 24—6 : 30 p. m.]

X-347. Minister of State from Valencia has promised to send me two buses and one truck tomorrow to evacuate some 50 people and their baggage. Vehicles should arrive by tomorrow evening and I now plan to leave very early Thursday morning to avoid danger of possible aerial attack on highway near Madrid. Señor Alvarez del Vayo at the same time assures me that every facility will be given to our people in embarkation at Valencia. He has promised to instruct Military Governor of Madrid to give orders that present Embassy and Consulate guards shall not be changed or removed. He will also instruct Military Governor to issue inclusive safe conduct for all persons to be evacuated thus avoiding necessity of obtaining individual permits.

I informed Minister of State in accordance with Department's instructions that my Government being greatly concerned over safety of American nationals has instructed me to proceed to Valencia with those willing to leave Madrid and to remain there after they have been placed aboard an American naval vessel; that the senior Spanish clerk will be appointed custodian of the Embassy premises but without any representative character; and that in directing me to proceed to Valencia my Government is actuated solely by concern for the safety of its nationals and is not influenced in any way, whatsoever, by political considerations.

I have an appointment to see General Miaja, Military Governor of Madrid, tonight when I shall endeavor to make all official arrangements to expedite departure and assure safety of Embassy, Consulate and American lives and property in Madrid.

WENDELIN

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352.1115/2368 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 24, 1936—midnight.  
[Received November 24—1 a. m.]

X-349. My telegram No. X-347, November 24, 7 p. m. In interview tonight General Miaja informed me that Minister of State had spoken to him from Valencia regarding matters mentioned in my

telegram under reference and assured me that orders would be given that Embassy and Consulate guards be maintained without change. He promised that collective safe conduct would be given tomorrow when we know definitely who will be leaving. He further assured me that every facility would be given us to evacuate and protection given Embassy, remarking that he knew we had dealt honestly with Government and authorities and they "had nothing against the American Embassy", emphasizing the word American.

From latest estimates tonight it appears that upward of 50 persons may decide to accompany staff to Valencia. I have therefore asked Consulate Valencia to request that additional bus be sent.

WENDELIN

352.1115/2381 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 25, 1936—12 p. m.  
[Received November 25—10:30 p. m.]

X-351. Coaches and truck sent from Valencia by Minister of State have just arrived. I had planned to leave by 4 a. m. but have postponed departure to 6 a. m. at request of Colonel Behn of telephone company who informed me at 9 p. m. that he had reversed original decision to remain in Madrid and would accompany us with all his American employees. Including telephone company officials about 65 persons now expected to leave with staff and others may decide to go at the last minute.

Safe conducts were obtained early this evening from military authorities for all who had up to then decided to leave. I am just informed that safe conducts have likewise been granted telephone company officials. Others for whom it is too late to obtain them will be taken anyhow in expectation of arranging this following morning at Valencia.

WENDELIN

852.00/3890 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 26, 1936—2 a. m.  
[Received 7 a. m.]

X-354. German and Italian Embassies were taken over yesterday by authorities. At [Italian Embassy?] there were no difficulty and

doorman and two nuns found there were permitted to go to another foreign mission for refuge. At German Embassy, however, authorities arrested number of Spanish refugees, and considerable number of others were taken to other diplomatic missions for refuge in diplomatic cars just before authorities occupied premises. This action by diplomatic missions involved was concerted 2 days ago at meeting I was unable to attend because of telephone conversation with Department. British Chargé d'Affaires informed me that he declined to participate in agreement to rescue Spanish refugees in German Embassy and give them asylum in various missions.

Madrid press is full of hostile commentaries regarding this incident alleging that German and Italian Embassies were centers for rebel espionage activities and that former, besides giving asylum to numerous Spanish refugees, enemies of the regime, contained considerable quantities of arms and ammunition.

Because of public hostility aroused against German Embassy I am concerned lest similar attitude be shown toward us after departure of Embassy site becomes known. Departure of telephone company officials and technicians may in particular arouse public resentment. I mentioned this possibility to Minister of State in telephone conversation this evening and he insisted that there was no justification for apprehension. Nevertheless, I think it wise to suggest to him and to Military Governor of Madrid that publicity be given to the fact that American nationals are being evacuated from all sides because of concern for their personal safety, that Embassy staff will remain in Valencia and that political considerations have not in any way influenced this decision of the American Government.

On orders from the Minister of State, Military Governor has just given me written assurance that Embassy and Consulate guards will not be removed or replaced. Despite this assurance from highest authorities, however, the guards are greatly perturbed because of departure of staff fearing that they will be relieved and that their personal safety is endangered. Military Attaché considers it necessary that some American with authority remain in charge of guards to maintain their morale. In view of all above considerations I am considering leaving Colonel Aurelio Ramos, temporarily attached to Embassy staff and an officer of proven loyalty and courage, in charge of Embassy guard. I am most reluctant to do this unless circumstances appear to make it absolutely necessary and shall not take a final decision until latest information today.

. . . . .

WENDELIN

852.1115/2385 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

MADRID, November 26, 1936—9 a. m.

[Received 11:40 a. m.]

X-358. First party about 55 people with last minute additions left for Valencia in charge of Consul Johnson and Colonel Fuqua 7:15 this morning. Departure delayed by necessity of sending car to pick up two Americans in outlying section. Weather cloudy and rainy making danger from aeroplanes slight.<sup>a</sup>

WENDELIN

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852.00/3905 : Telegram

*The Minister in Portugal (Caldwell) to the Acting Secretary of State*

LISBON, November 27, 1936—8 p. m.

[Received November 27—3:38 p. m.]

69. Note received today from Amoedo, Burgos representative in Lisbon, designates by degrees and minutes neutral zones in ports of Tarragona, Valencia, Alicante, Cartagena and Barcelona. Full details can be sent by telegraph if desired.

CALDWELL

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852.00/3924 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

VALENCIA, November 29, 1936—7 p. m.

[Received 11:40 p. m.]

363. Twenty-eight American nationals including 4 Puerto Rican and 10 Philippine citizens remain in the Embassy at Madrid as well as 1 Canadian, 1 Peruvian, and 1 Danish nationals representing American interests and 6 Spanish women and children relatives of Americans. There are also 14 guards and 71 Spanish employees and servants and their immediate families. Still in Madrid outside of the Embassy there are 81 American nationals.

I am keeping in touch with the Embassy at Madrid daily by telephone. Since our departure there has been no change in the military situation or in internal conditions. Custodian informed me today

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<sup>a</sup> The Third Secretary of Embassy in Spain reported in a telegram filed about 1:45 p. m. that he was leaving within the hour, accompanied by officials of the telephone company (124.52/149, 160).

that militia officer came to Embassy this morning stating he understood we had abandoned it and guard had been withdrawn. Upon learning the contrary he left without further discussion.

WENDELIN

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852.60/20 : Telegram

*The Consul General at Barcelona (Perkins) to the Acting Secretary of State*

BARCELONA, December 2, 1936—6 p. m.

[Received December 2—5: 15 p. m.]

My despatches Nos. 88 of October 31, 93 of November 5, and 121 of November 21.<sup>7</sup> Catalan Council of Economy has announced that detailed regulations will shortly appear for the collectivization of businesses containing foreign interests and that meanwhile all activities looking to the collectivization of such businesses should be suspended.

PERKINS

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852.00/3949 : Telegram

*The Acting Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, December 3, 1936—5 p. m.

The following message has been received from our Legation at Lisbon :

“Note just received from Amoedo, insurgent representative in Lisbon, contains warning that, beginning today and until the 15th of December, in the zone between Cape San Antonio, Province of Alicante, and the town Marbella, Province of Malaga, frequent aerial attacks against presumed enemy vessels will take place, and that offensive mines will be placed at the entrance of the ports of this zone.”

Please request General Queipo de Llano to inform General Franco, as Commander-in-Chief of the insurgent land and sea forces, as well as the insurgent naval headquarters at Cadiz that during the period mentioned in Amoedo's note it is highly probable that American merchant and naval vessels will be passing through waters adjacent to and possibly within the zone declared liable to “frequent aerial attacks against presumed enemy vessels”, and that we cannot admit the right of insurgent airplanes to attack American vessels within or outside the zone.

It is presumed that the insurgent naval authorities already know which of our naval vessels are at present stationed at Gibraltar or at

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<sup>7</sup> None printed.

French ports for emergency assistance to our Consuls in the evacuation of our nationals from Spain, but in your discretion you may take this opportunity to inform General Queipo de Llano that these vessels are the United States cruiser *Raleigh*, the destroyers *Kane* and *Hatfield* and the gunboat *Erie*.

MOORE

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852.00/3999 : Telegram

*The Consul at Seville (Bay) to the Acting Secretary of State*

SEVILLE, December 5, 1936—11 a. m.

[Received 3:18 p. m.]

General Queipo de Llano promised to inform General Franco of the contents of the Department's [December?] 3, 5 p. m. which I communicated to him last night. On that occasion he stated Russian merchantmen were flying flags of other countries and on one occasion flew the American flag while in Spanish waters. He stated also that a Russian submarine is known to be operating along the Spanish coast. These comments were offered apparently to convey an idea of the lawless tactics against which they are contending.

BAY

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852.00/4029 : Telegram

*The Third Secretary of Embassy in Spain (Wendelin) to the Acting Secretary of State*

[Extract]

VALENCIA, December 8, 1936—7 p. m.

[Received December 9—12:09 a. m.]

X-379. . . .

Madrid authorities are well aware of our policy not to give asylum to Spaniards in Embassy at Madrid and for this reason have accordingly agreed to maintain our guards without change although replacing them from time to time at other missions. When the Embassy staff removed to Valencia I made a point of obtaining a written order from the Government that our present guards would not be removed or replaced. The original of this order is in the possession of the custodian. Although in view of the above circumstances and the reputation we have earned of absolute non-interference in Spanish internal affairs I do not believe any difficulties of the kind described

will affect our Embassy, I have instructed custodian to remind military authorities of order maintaining our guards without any change and to express the hope that necessary precautions will be taken to avoid any unfortunate difficulties affecting the Embassy.

Since public hostility toward foreign missions in Madrid is directed against those giving asylum to Spaniards generally believed to be active enemies of the regime, it might be advisable to make public a statement of the fact that in accordance with our policy in this regard, no Spaniards have been given asylum in our Embassy. I would appreciate the Department's opinion in this regard and suggested statement if deemed advisable.<sup>8</sup>

WENDELIN

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852.00/4061 : Telegram

*The Minister in Portugal (Caldwell) to the Acting Secretary of State*

LISBON, December 11, 1936—11 a. m.  
[Received December 11—8:20 a. m.]

74. Note just received from Spanish insurgent representative here states that vessels navigating at night without lights in Spanish waters will be considered enemy vessels.

CALDWELL

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852.00/4051 : Telegram

*The Acting Secretary of State to the Third Secretary of Embassy in Spain (Wendelin)*

WASHINGTON, December 11, 1936—5 p. m.

216. Your X-384, December 10, 5 p. m.<sup>9</sup> If the insurgent invasion of the Spanish Mediterranean coast expected by the Spanish Government authorities in the near future actually takes place and seriously endangers the safety of our nationals and staff in Valencia you should withdraw without delay to a place of safety with your staff and that of the Consulate together with all American nationals who may be willing to accompany you. To avoid delay you may if at any time such action seems necessary call upon one of our naval vessels to evacuate our nationals and staff without prior consultation with the Department. In such case, of course, you should notify the Department promptly of your action.

MOORE

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<sup>8</sup> In telegram No. 215, December 9, 6 p. m., the Department informed him that it considered it inadvisable to make any public statement regarding American policy on asylum (852.0022/28).

<sup>9</sup> *Ante*, p. 605.



852.00/4085 : Telegram

*The Consul General at Barcelona (Perkins) to the Acting Secretary of State*

BARCELONA, December 12, 1936—7 p. m.  
[Received December 13—10: 13 p. m.]

I received last evening an invitation from the Councilor of Economy to attend this morning a meeting of the Consular Corps at which there would be broached a project for the construction of a free international zone in this port. Since I did not have time to seek the Department's instructions and since the proposal seemed likely to contain ulterior motives [I decided not to attend in person or to send a representative].<sup>9a</sup>

An official announcement was made this morning saying that the consular body welcomed the proposal; that the zone would be distinguished by special flags and by lights at night to spare it from bombardment; that it would serve to assure the provisioning of Catalonia and that the Government was making extraordinary efforts to restore international trade.

PERKINS

852.00/4120 : Telegram

*The Minister in Portugal (Caldwell) to the Acting Secretary of State*

LISBON, December 16, 1936—2 p. m.  
[Received December 16—12: 40 p. m.]

75. Note just received from Spanish insurgent representative here states that nine Spanish ports will be mined and fixes midnight 20th for departure of merchant vessels. Tarragona, Bilbao, Santander and Gijon are completely closed. Vessels visiting other five ports are warned as follows: Malaga, not to navigate to west of Cape Levant lighthouse; Almeria, not to navigate to north of Torre San Miguel until well beyond the cathedral meridian; Carthagená, not to pass to east of Podadera meridian until well beyond east west of Tuioso Cape; Valencia, not to pass north of 39°26'; Barcelona, previous safety zone modified to be placed facing Barceloneta village without passing south of harbor clock parallel.

CALDWELL

852.00/4120 : Telegram

*The Acting Secretary of State to the Consul at Seville (Bay)*

WASHINGTON, December 17, 1936—7 p. m.

Up to the present the Spanish insurgents have followed the practice of informing us through their representative in Lisbon whenever

<sup>9a</sup> Corrected on the basis of despatch No. 146, December 14, 1936, from the Consul General at Barcelona, received December 31, 1936.

they wish to give notice of their intention, of blockading, mining or bombarding Spanish ports. The information transmitted in this way is frequently received by us, however, several days later than the same information is made known to the British through other channels.

We feel that it would be inadvisable to take this matter up with the local authorities at this time but we should appreciate your reporting for our information whether these notices are promptly made generally known in Seville and might perhaps therefore be reported more quickly by your office than by Lisbon or whether without placing any stress on the matter and without indicating that you are in any way replacing Lisbon it might be possible for you to obtain the text of such notices promptly in the same way that other information of possible interest to your office is informally brought to your attention.

MOORE

852.00/4164 : Telegram

*The Consul at Seville (Bay) to the Acting Secretary of State*

SEVILLE, December 21, 1936—10 a. m.

[Received 3 p. m.]

Department's December 17, 7 p. m., received December 19, 7 p. m. Information given out in Lisbon by the representative of Burgos government to the Legations in that capital is generally not available in Seville for some time. I feel certain that the military commander in Seville would be disposed to furnish this office with copies of such notices provided that he receives copies but it is probable that he does not receive particulars as to when notices are given out nor the text used in them as these emanate from Burgos. It is possible military headquarters in Salamanca prepares these notices. If so, the most practical arrangement would be to obtain copies directly from that source.

BAY

852.00/4172a : Telegram

*The Acting Secretary of State to the Ambassador in Spain (Bowers),  
Then in France*

WASHINGTON, December 21, 1936—3 p. m.

B-94. We are informed by Navy Department that on completing overhaul the *Kane* will leave Gibraltar December 22nd for Valencia in response to request from Wendelin and will proceed thence to Villefranche. The *Hatfield*, unable to make more than 11 knots because of breakdown of one engine, has put in at Gibraltar for repairs and will probably arrive at La Pallice about December 28th.

Since the *Erie* has just completed a trip along the north coast of Spain we assume that you will not be seriously inconvenienced by the *Hatfield's* delayed arrival. In any case, we should not wish to send one of our vessels into any north coast port after December 20th until there had been time, probably several days, to determine the degree to which the insurgents carry out their announced intention of closing those ports with mines after that date.

MOORE

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NEGOTIATIONS RESPECTING A TRADE AGREEMENT BETWEEN THE  
UNITED STATES AND SPAIN<sup>10</sup>

651.5231/167 : Telegram

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

WASHINGTON, December 31, 1935—3 p. m.

78. Your 81, December 28, 3 p. m.<sup>11</sup> Please telegraph significant provisions of exchange agreement with France.<sup>12</sup> Department informed confidentially that in addition to general arrangements provided for in published agreement, an unpublished exchange of notes provides that within 60 days from December 22 the Spanish Government will liquidate all blocked French transfers for which applications had been made up to that date and that all applications made after that date for francs in payment of imports from France or of interest, dividends, or other financial credits owing to French nationals will be granted immediately upon presentation. If you find that such an exchange of notes has in fact taken place telegraph as full a statement of the provisions thereof as you may be able to obtain.

HULL

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651.5231/169 : Telegram

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

MADRID, January 2, 1936—4 p. m.

[Received 4: 15 p. m.]

1. Your telegram No. 78, December 31, 3 p. m.; page 13, my despatch No. 990, December 23; and my despatches Nos. 995, December 26; 998, December 30.<sup>13</sup>

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<sup>10</sup> Continued from *Foreign Relations*, 1935, vol. II, pp. 687-738.

<sup>11</sup> *Foreign Relations*, 1935, vol. II, p. 738.

<sup>12</sup> Signed December 21, 1935; League of Nations Treaty Series, vol. CLXVII, p. 65.

<sup>13</sup> Despatches not printed.

According to general interpretation of exchange agreement all future applications for French exchange covering commercial or other credits will be authorized promptly.

In view of inability of Spain to meet French demand for liquidation of presently deferred credits, which demand the French made a condition precedent to signing the commercial treaty, Spain has secretly agreed to find within 60 days from December 22 a means for the liquidation of such deferred credits.

Spain was driven to this agreement in order to avoid further delay in promulgated commercial treaty which delay would have caused loss of leading market for Spanish orange crop, Spain's principal export, and ruined many orange producers.

British financial commission now here negotiating on the basis of Spanish proposal for a clearing agreement as I pointed out in my telegram of December 28.<sup>13a</sup> The fact that we do not know the nature of the exchange clauses in pending agreement makes it difficult for Embassy to judge probable effect on our interests of French and British agreements. In fact this Embassy's failure to receive a complete text of the treaty, with American interests here apparently better informed, makes our position intolerable.

BOWERS

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611.5231/1072b : Telegram

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

WASHINGTON, January 4, 1935 [1936]—2 p. m.

1. Your telegram No. 1, January 2, 4 p. m., last paragraph. Proposed agreement provides "that if either country shall establish or maintain, directly or indirectly, any form of control of foreign exchange, the commerce of the other country shall be accorded fair and equitable treatment. The Government of each country will give sympathetic consideration to any representations which the Government of the other country may make to the effect that it is not receiving fair and equitable treatment in the allotment of the available foreign exchange, and if, within 30 days after the receipt of such representations, a satisfactory adjustment has not been made or an agreement has not been reached with respect to such representations, the Government making them may, within 15 days after the expiration of the aforesaid period of 30 days, terminate this agreement in its entirety on 30 days' written notice."

Regret any embarrassment which may have been caused by not sending you text of proposed agreement before. In explanation it

<sup>13a</sup> *Foreign Relations, 1935*, vol. II, p. 738.

has not been our practice to send copies of proposed agreements to our missions in foreign countries in cases where negotiations are being conducted in Washington because of difficulty of keeping them currently informed of countless moves and countermoves. In this case, however, in response to your request full texts of general provisions and schedules of proposed agreement were sent to you on December 27.

HULL

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651.5231/169 : Telegram

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

WASHINGTON, January 4, 1936—3 p. m.

2. Your telegram No. 1, January 2, 4 p. m. We are very much concerned at Spain's exchange commitments to France and your statement that Spain has offered a clearing agreement to Great Britain. As we see the situation here, such action on the part of Spain, even though it may be true that Spain was forced to take it, will in effect restrict exchange for the settlement of American balances to that provided by the purchase of Spanish goods by the United States. As you know, this is directly contrary to the premises upon which our whole program is based and we have not generalized our reduced rates to Germany because of similar practices there. Do you see the situation in the same way or do you know of other resources through the use of which Spain may be able to make payments to us in excess of the amount of Spain's exports to us? In this connection we should very much appreciate your supplying us with the latest possible figures showing total of Spain's invisible balance of payments with the world.

We feel that the schedules in the proposed agreement are rather generous to Spain and that, aside from the foreign exchange complication, there is danger that the agreement might be regarded by the American public as one-sided in Spain's favor. We have been thus far ready to face such criticism in view of the fact that we believe the agreement is a fair one which should provide a sound permanent basis for trade relations, but these new developments place us in an exceedingly awkward position. What answer, for instance, will we have to those American exporters who will contend that Spanish tariff reductions are worth very little if they cannot receive payment for their goods?

We should appreciate receiving your full and frank comments and recommendations.

HULL

611.5231/1075 : Telegram

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

MADRID, January 8, 1936—10 a. m.

[Received 4:24 p. m.]

2. Department's telegram No. 2, January 4, 3 p. m. Anglo-Spanish payments agreement signed January 6.<sup>14</sup> Agreement provides that all proceeds from Spanish exports to England will be deposited in sterling account with special London office to be applied against deferred and future English credits arising from English exports and normal re-exports to Spain as well as from freight charges, insurance, dividends, royalties, profits, et cetera. Full text is being forwarded to the Department in the pouch today.

Provisions of above and French financial agreements may be expected to limit available dollar exchange to amount of Spanish exports to us until such time as present French and English arrears have been liquidated.

Latest available figures showing total of Spain's invisible balance of payments cover year 1933 and were forwarded by Commercial Attaché to Finance Division on July 26, 1935. However, any increase in invisible receipts has probably been more than offset by increase in adverse trade balance from 148,000,000 gold pesetas during the first 10 months of 1933 to 239,000,000 gold pesetas in the same period 1935.

In an interview today with the Under Secretary of State he told me that Spain was forced to conclude exchange agreements with France and England to save her two best markets. He promised to urge our position with the Exchange Control Board and expressed conviction that conclusion of our agreement will greatly improve whole situation. He insisted that exchange agreements with England and France will not further delay dollar payments and implied that with signature of our trade agreement we will get exchange insurance and exchange certificate "b". Local American banker is of the opinion that such insurance would satisfy our exporters.

I believe that signature of our agreement would strengthen our position in connection with exchange problem as "fair and equitable treatment" would apparently entitle us to demand that insurance and exchange certificate "b" be extended to imports from the United States. Moreover, proposed exchange clause providing for denunciation of agreement, in case of discrimination, could be used as a club in our efforts to obtain increased dollar exchange allotments.

BOWERS

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<sup>14</sup> League of Nations Treaty Series, vol. CLXVI, p. 283.

611.5231/1083 : Telegram

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

MADRID, January 20, 1936—4 p. m.  
[Received January 20—3 : 39 p. m.]

4. Chief of Trade Agreement Section Ministry of Commerce in personal conversation with Commercial Attaché made following statements: Canadian Trade Commissioner now here pressing for commercial agreement with Spain on basis of substantial concessions by Canada in return for more favorable treatment Canadian automobiles. In current negotiations Germany is also pressing for increased quota allotment automobiles. In coming Spanish-British negotiations Spain would be in less unfavorable position if it could offer increased English automobile quota.

Indecision as to American treaty thus places Spanish Government in awkward position and inter-ministerial committee on foreign trade will shortly have to request Foreign Office to wire Embassy Washington to ask immediate action.

Despatch No. 1016, January 15.<sup>15</sup> My considered opinion continues to be that it would be to our advantage to sign commercial agreement. Increasing gravity of exchange problem may oblige Spain to adopt measures to relieve situation. Certain financial journals are advocating displacement of gold. In case such action is taken we would be in far better commercial position if we preserve our market here by signing agreement thus gaining favored nation treatment with regard to leading American products.

Failure to sign agreement will doubtless entail loss of major part of Spanish market and make its recovery difficult.

BOWERS

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611.5231/1083 : Telegram

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

WASHINGTON, January 22, 1936—7 p. m.

4. Your No. 4, January 20, 4 p. m. The Department shares your belief that in many respects it would be advantageous to conclude a trade agreement with Spain without undue delay. On the other hand, we feel that it would be unwise to hasten to sign an agreement until we are better informed than at present as to the ability and intention of Spain, in the light of the Franco-Spanish and Anglo-Spanish payment agreements, to pay for our exports without a delay so great as to nullify the quota and tariff concessions offered us.

<sup>15</sup> Not printed.

We have therefore called in the Spanish Chargé d'Affaires and informed him that we feel that before any agreement can be signed there must be a much more definite understanding than now exists between the two governments as to what is to constitute "fair and equitable treatment [""] in the allocation of foreign exchange and that we could not define what treatment might reasonably be regarded as fair and equitable in the present circumstances until we are in possession of more complete data than is yet available to us. We asked therefore that he request his government immediately by telegraph to facilitate our consideration of the problem as much as possible by furnishing us with whatever information may be available to it with regard to Spain's balance of payments with the world for the years 1934 and 1935 and supplying us further with a list of those products for which up to the time of the conclusion of the agreements with France and Great Britain payment had been authorized on the basis of 90-day bills, together with a statement of any changes in the list since that time and any changes which may be contemplated.

When this information has been received and analysed in connection with other data now being collected and studied we shall formulate a definition of what we regard as fair and equitable treatment with regard to payment for our exports and will inform the Spanish government thereof.

Your despatch No. 1005 of January 7<sup>16</sup> transmitting an advance copy of the Anglo-Spanish agreement has been received. Has official text yet been published and if so does it differ in any important respect from advance copy? Please cable reply to this question.<sup>17</sup>

HULL

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611.5231/1103 : Telegram

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

MADRID, January 29, 1936—9 a. m.  
[Received January 29—6:55 a. m.]

8. Have received copy of letter from Ministry of Commerce to Spanish importer of American cellulose stating that a 1936 contingent for product has been reserved United States but the giving of contingent is conditioned upon signature Commercial Agreement. Similar situation exists with regard to dried milk. It can, therefore, be logically assumed that unless agreement is signed we will receive no part of 1936 contingents.

BOWERS

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<sup>16</sup> Not printed.

<sup>17</sup> In his reply, telegram No. 6, January 24, 5 p. m., the Ambassador in Spain stated that the advance copy of the Anglo-Spanish agreement coincided exactly with the official text (611.5231/1096).



611.5231/1127

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

No. 1030

MADRID, January 29, 1936.

[Received February 12.]

SIR: With reference to the Department's cable No. 77, December 12, 5 p. m., 1935,<sup>18</sup> I have the honor to enclose the copy and translation of a Note from the Foreign Office, dated January 25,<sup>19</sup> which argues that the giving of exchange insurance only to those countries with whom Spain has a favorable trade balance does not constitute discrimination against the United States.

With reference to the present negotiations in Washington, the Note states:

"... if the commercial treaty, which is being concluded in Washington, is signed, the noticeable tariff reductions, which are given in the same in favor of some basic products of Spanish exportation, would permit that this exportation would increase so that it would have to react favorably in the normalization of the transfer of North American credits in Spain."

In conclusion, the Note makes a suggestion regarding the possibility of establishing exchange insurance on an acceptable technical basis.

Respectfully yours,

CLAUDE G. BOWERS

611.5231/1150

*Memorandum by the Secretary of State*

[WASHINGTON,] March 25, 1936.

The Spanish Ambassador made his first call since his return from a four months' visit to Spain. He said that he had travelled quite a little through Europe and found among the masses nobody with any disposition to fight or to be at all favorably disposed towards war; that politicians and so-called statesmen and officials were about the only persons talking about war, outside of Italy and Ethiopia and Germany. In brief, the Ambassador was of the opinion that there would be no further wars in Europe at all soon.

I proceeded, in advance of his reference to the trade agreement negotiations between our two governments, to restate the substance of our program and the tremendous bearing it has on both the business and the peace situation of the world, with such emphasis on important

<sup>18</sup> *Foreign Relations*, 1935, vol. II, p. 736.

<sup>19</sup> Not printed.

phases of it as might be calculated to impress the Ambassador. I referred especially to the unfortunate delay of many other important countries in taking up something like our trade agreement program for international business recovery. Finally, the Ambassador spoke about the pending trade negotiations between our two governments and said that the treaty was ready for signature save as to the blocked exchange situation, and he added he did not know what could be done about that. I then repeated the arguments we are making to all important countries in Europe about the necessity for abandonment of the bilateral and discriminating trade policies and the substitution therefor of the long view and broader policy based on equality. I also expressed my disappointment and regret that the exchange situation in Spain was calculated to retard the treaty negotiations, adding that we were obliged to keep substantially within the limits of our trade agreement program in order to appeal to other nations for its support. I stated that I earnestly hoped his government would find a way to avoid turning over to other countries all exchange accruing under unfavorable trade balances in accordance with the purely bilateral method and policy of bartering and bargaining, together with clearing arrangements, and apply to their exchange situation the doctrine of equality—just as the United States Government had applied it when its trade agreement with Brazil was entered into some months ago. I strongly insisted that this entire program in its essentials offers the only solution to the steadily increasing condition of danger in Europe.

C[ORDELL] H[ULL]

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611.5231/1156

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

No. 1096

MADRID, April 6, 1936.

[Received April 22.]

SIR: I have the honor to report that I obtained an interview with Prime Minister Azaña on the 11th in order to pay him my compliments and to gather what I could of general information. I found Sr. Azaña in the most tranquil and happy mood, apparently quite unworried by the internal situation which, as a matter of fact, has improved greatly during the last few days.

Our conversation touched upon the subject of deferred exchange, and the Prime Minister was emphatic in stating that he realized the present exchange situation was an untenable one. He said that the clearing agreement with England had been made before he came into power and that he personally desired to develop a broad plan which

would solve the deferred exchange problem with all countries rather than to make lasting bilateral agreements. He added, however, that no general plan had yet been developed and that a foreign loan might prove only a palliative. I asked in this connection whether the Government would now be willing to consider the displacement of gold and I gathered from his reply that if other methods failed it might prove necessary to consider such action.

In conclusion, Sr. Azaña said that the Government was working hard on several commercial treaties and that he sincerely hoped the treaty with the United States would be signed soon. He appeared to have a sympathetic understanding of our position with regard to the treaty, both in its political and material aspects, and earnestly to desire that a solution to the present impasse might be found.

Respectfully yours,

CLAUDE G. BOWERS

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611.5231/1158

*Memorandum by the Chief of the Division of Trade Agreements  
(Grady)*

[WASHINGTON,] May 5, 1936.

The Spanish Ambassador called on his own initiative, but had apparently no particular objective other than to ascertain the attitude of the Department toward the proposed Spanish agreement. I suspect that word in the papers to the effect that we would shortly sign an agreement with France<sup>20</sup> had something to do with his visit.

He indicated that he had had no word from his Government for some time and inquired if we had heard from our Embassy at Madrid. I said nothing of importance had come in for some time on the matter of the pending trade agreement. He went over the ground which he has covered before to indicate the difficulties with which his Government is faced, but I told him that the Trade Agreements Committee and certain members of the Department here were disturbed at the long delay since the Ambassador took the proposed agreement to Madrid with him in November and that the signing of the French Agreement would bring to a head the whole matter of continuing to extend to Spain most-favored-nation treatment. He said that he would advise his Government of the early signing of the French Agreement and inquire as to their views on the matter of allocation of exchange for American exports to Spain and with respect to the present blocked balances. I told him that there were a number of items in the French Agreement which would be of very great interest

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<sup>20</sup> See pp. 85 ff.

to Spain and hoped that we would have some word shortly as to the present problems our exporters are experiencing in regard to getting payment and as to assurances of most-favored-nation treatment on exchange as a condition of consummating a trade agreement with Spain.

HENRY F. GRADY

611.5231/1162

*Memorandum by the Secretary of State*

[WASHINGTON,] May 11, 1936.

The Spanish Ambassador called upon his own initiative and referred to his conversation of some days ago with Dr. Grady relative to the pending trade agreement between our two Governments. He offered the following figures as to trade between this country and Spain:

Value of exports of merchandise from the United States to Spain during the six months ending the 31st of December, 1934 and 1935:

1934	1935
\$18, 663, 000	\$21, 808, 000

Value of exports of merchandise from the United States to Spain during January and February, 1935 and 1936:

1935	1936
\$6, 810, 000	\$7, 020, 000

Value of imports into Spain during 1935:

	<i>Pesetas gold</i>
From the United States. . . . .	147, 637, 747
From Germany. . . . .	120, 336, 220
From Great Britain. . . . .	91, 548, 369
From France. . . . .	48, 765, 743

Value of exports from Spain during 1935:

	<i>Pesetas gold</i>
To Great Britain. . . . .	127, 447, 788
To Germany. . . . .	74, 828, 103
To France. . . . .	68, 987, 916
To the United States. . . . .	55, 952, 410

The Ambassador emphasized the strong favorable balance of trade involved. He said that Spain had an unfavorable trade balance against the world. His plea was that it would seriously disrupt the trade situation if we should terminate the *modus vivendi* existing between our two Governments. I inquired as to whether they had any plans to devalue and added that this was not any of my business, but

that it did seem to offer possibilities that caused me to make the inquiry. The Ambassador replied that they were waiting on the course of the franc in France and that they would probably follow it in fairly short order, if and when the French devalued. He added a few additional statements to those he made to Dr. Grady, and we agreed that he might repeat them to Dr. Grady for his information. I stated that we could not permit the fundamentals of our trade agreements program to be discredited or impaired by making vital exceptions to each country calling for the same, even though each should make out a plausible case.

C[ORDELL] H[ULL]

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[No further discussions with the Spanish Government regarding a trade agreement took place before the outbreak of the Civil War in Spain in July 1936. With the beginning of that conflict all consideration of a trade agreement was apparently ended.]

## SWITZERLAND

### RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND SWITZERLAND, SIGNED JANUARY 9, 1936<sup>1</sup>

[For text of the agreement, see Department of State Executive Agreement Series No. 90, or 49 Stat. 3917. Notes exchanged on the date of signature of the agreement are printed *infra*. A supplementary agreement was effected by an exchange of notes, July 9 and 11, 1936 (not printed), regarding marks to be placed on watches and watch movements (611.5431/461).]

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611.5431/288

*The Swiss Minister (Peter) to the Secretary of State*

[Translation]

[WASHINGTON,] January 9, 1936.

MR. SECRETARY OF STATE: Pursuant to instructions received from my Government, I have the honor to communicate to Your Excellency the following.

1. By the clause inserted under position 95, in Schedule I, Section B of the Trade Agreement between Switzerland and the United States signed this day, there has been accorded to the United States a quota of 90 percent of the imports of lard into Switzerland, the imports having to be authorized three months after the provisional coming into force, on February 15, 1936, of the said Trade Agreement. Now, the competent Swiss authorities will not be in a position, until further orders, to grant import permits for lard except in very limited quantities.

2. As regards position 914 a/d of the Swiss tariff, for which a quota of importation from the United States of 4812 units is indicated in Schedule I, Section B, of the Trade Agreement between Switzerland and the United States, it remains understood that the Federal authorities retain full liberty as to the importation of trucks and truck chassis.

I should be grateful to you if you would be good enough to confirm to me the receipt of this note.

Please accept [etc.]

MARC PETER

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<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1935, vol. II, pp. 745 ff.

611.5431/288

*The Secretary of State to the Swiss Minister (Peter)*

WASHINGTON, January 9, 1936.

SIR: I have the honor to acknowledge the receipt of your note of January 9, 1936, and to inform you that the declarations of the Swiss Government pertaining to the importation into Switzerland of lard as well as of trucks and their chassis from the United States have been duly noted.

Accept [etc.]

CORDELL HULL

611.5431/303a

*The Secretary of State to the Swiss Minister (Peter)*

WASHINGTON, January 9, 1936.

SIR: I have the honor to inform you that the laws to which the last sentence of Article II of the trade agreement signed today refers are mandatory laws and include those requiring the imposition under certain circumstances of special duties or charges such as anti-dumping duties, countervailing duties imposed on products by reason of foreign bounties on the manufacture, production or export thereof, additional duties for undervaluation, additional duties for failure to mark imported articles with the name of the country of origin, and compensating taxes imposed on imported articles by reason of a component of a kind which would be subject to an internal tax if processed within the country.

Accept [etc.]

CORDELL HULL

611.5431/300

*The Swiss Minister (Peter) to the Secretary of State*

WASHINGTON, January 9, 1936.

SIR: I have the honor to acknowledge the receipt of your note of January 9, 1936, relating to the laws to which the last sentence of Article II of the Trade Agreement signed to-day is referring, and to inform you that its contents have been duly noted.

Accept [etc.]

MARC PETER

**CONSIDERATION OF POSSIBLE INVOCATION BY THE UNITED STATES  
OF ESCAPE CLAUSE IN THE RECIPROCAL TRADE AGREEMENT,<sup>2</sup>  
FOLLOWING THE DEVALUATION OF THE SWISS FRANC**

611.5431/516

*Memorandum by the Secretary of State*

[WASHINGTON,] October 2, 1936.

The Minister of Switzerland came in, having just returned from his vacation at home, and proceeded to inquire whether the so-called escape clause in the trade agreement between this government and the Swiss government, authorizing either government to call for readjustment of rates in case of unsatisfactory price development due to devaluation or other currency manipulation, would or might be invoked by this government in view of the recent devaluation by Switzerland, which, he said, would be around 30%.

I replied that the matter has not been taken up and considered either pro or con; that it is deemed too early thus to take it up with a view to intelligent, practical consideration and action, if any, decided upon. I then referred to the action of the Belgian Government, with whom we have a similar trade agreement,<sup>3</sup> when it had devalued some months ago, to the effect that it had notified this and other governments that it would not permit undue exportations of commodities at unduly low prices on account of the devaluation results. This was construed to mean that Belgium would not permit exportations at prices reduced enough to violate the letter or the spirit of the trade agreement and particularly the escape clause in it. In other words, any subnormal prices, or prices bordering on dumping, or which might materially affect our domestic economic situation by reason of the effects of devaluation in Belgium, were considered by us as coming within the inhibition of the trade agreement and the announcement of the Belgian Government as just stated. I then suggested that probably the Swiss Government might deem it timely and justifiable to make a similar announcement to this and other countries, in order to remove the fear of haphazard trading which might more or less upset trade relations, provoke controversy, and finally result in steps for relief under the escape clause.

The Minister replied that he thought the Swiss Government was taking some steps in this direction and that he would communicate the idea of this further step to his government. He expressed the hope that this government would not be called upon to invoke the

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<sup>2</sup> For text of the reciprocal trade agreement between the United States and Switzerland, signed January 9, 1936, see Department of State Executive Agreement Series No. 90, or 49 Stat. 3917.

<sup>3</sup> See *Foreign Relations*, 1935, vol. II, pp. 102 ff.



escape clause. He added finally that there is high internal pressure in his country, as in France, and that since his country must import its raw materials at higher prices on account of the devaluation it will be correspondingly at a disadvantage in reexporting them in manufactured form.

C[ORDELL] H[ULL]

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611.5431/517

*Memorandum by Mr. Theodore C. Achilles of the Division of Western European Affairs, of a Conversation Between the Assistant Secretary of State (Sayre) and the Swiss Minister (Peter)*

[WASHINGTON,] October 6, 1936.

The Minister of Switzerland called to request further assurance that the "escape clause" contained in Article 11 of the Trade Agreement between the United States and Switzerland would not be invoked as a result of Swiss devaluation.

The Minister had cabled his Government concerning his conversation on the same subject with the Secretary on October 2, in which the Secretary referred to the action of the Belgian Government, at the time its currency was devalued, informing this and other Governments that it would not permit undue exportations of commodities at unduly low prices as a result of the devaluation. The Swiss Government had cabled him to the effect that the situation in Switzerland was different from that which had prevailed in Belgium in that (1) this was the first time the Swiss currency had been devalued; and (2) wages and prices in Switzerland were exceedingly high prior to the devaluation. His Government had also informed him that the Decree authorizing devaluation of the Swiss franc had conferred upon the Federal Council specific authority to take measures to stop exportation at unduly low prices as a result of the devaluation. His Government had requested him to endeavor to obtain further assurance that Article 11 of the Trade Agreement would not be invoked.

Mr. Sayre advised him that, while we could naturally not bind ourselves in regard to future action, the primary purpose of this Government was to promote currency stabilization and a revival of international trade, that the Trade Agreement with Switzerland was a step toward the revival of trade between the two countries which had been made after much effort and which this Government would be loathe to see discarded, and that we had no present intention of taking any action under Article 11. He added that this Government would not take such action in the future unless imports from Switzerland should come into this country in such volume as a result of the devaluation as to disorganize prices in this country of any particular commodities.

611.5431/498a : Telegram

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

WASHINGTON, October 7, 1936—6 p. m.

70. The Swiss Minister has called twice within the last week under instructions from his Government to seek assurance that resort will not be made by this Government to the escape clause of the Trade Agreement as a result of Swiss devaluation. He was informed that while this Government could not bind itself as regards future action, it had no present intention of invoking the escape clause and that it probably would not do so unless imports from Switzerland began entering this country in such quantity as to depress internal prices of particular commodities.

You should utilize every appropriate occasion to emphasize to the appropriate officials of the Swiss Government the importance which this Government attaches to the restoration of international trade through the progressive relaxation and abolition of quotas and similar import restrictions as necessary concomitants to stability and international exchange and as essential to that real prosperity upon which peace depends. You may also intimate that pressure may be brought to bear upon this Government to abrogate the Trade Agreement in view of the impetus to Swiss exports which may result from devaluation of the Swiss franc and that this Government will be in a much better position to withstand such pressure if it can be shown that the Swiss Government has taken measures to facilitate the entry of American products into Switzerland. In this connection the decree of October 2 reported in your 78, October 3, noon,<sup>4</sup> is gratifying to this Government.

It is noted that the instructions cited in your 77, October 3, 11 a. m.,<sup>5</sup> allow wide discretion to the competent departmental authorities in liberalizing import regulations. The Department desires that you follow the situation very closely and insist that in accordance with our trade agreement American trade receive a fair share of all advantages resulting from any relaxation of Swiss import restrictions.

CARR

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611.5431/502

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

No. 4624

BERN, October 13, 1936.

[Received October 20.]

SIR: With reference to the Department's telegram No. 70 of October 7, 6 p. m., I have the honor to report that, meeting Mr. Stucki, Delegate

<sup>4</sup> Not printed; the decree abolished or reduced duties on 18 classes of foodstuffs (654.003/183).

<sup>5</sup> Not printed.

of the Swiss Federal Council for Foreign Trade, in Geneva recently, I brought up the matter outlined in the telegram. After I had spoken in the sense of your instruction, Stucki replied that he had been concerned at the thought that the Swiss devaluation might cause any upset to the convention existing between our two Governments. The Swiss, he continued, had been decided to maintain the previous gold value of the franc, even in the event of France's devaluation. The factor which changed their decision was the collaboration shown between the United States, Great Britain and France,<sup>6</sup> coupled with the appeal for a more liberal international trade policy. These factors made it possible to envisage an amelioration of the general economic situation, and Switzerland was anxious to play its part and to share in the recovery perhaps made possible by these acts. Nevertheless, the devaluation had aroused bitter hostility in certain quarters and the Government was under serious attack. It would, therefore, be lamentable, said Stucki, if one of the first results of the Swiss devaluation was the denunciation by the United States of the Trade Agreement, which the Swiss people felt had reestablished the happy relations between our two countries which had been badly impaired by the previous tariff act. He recognized the force of your arguments and hopes it will be possible to prove by the application of their liberalized measures how much they appreciate trade with the United States.

Respectfully yours,

HUGH R. WILSON

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611.5431/525 : Telegram

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

BERN, December 2, 1936—4 p. m.

[Received December 2—12:55 p. m.]

91. For Williamson.<sup>7</sup> Your letter November 20th.<sup>8</sup> Invocation of escape clause would, I fear, have consequences far wider than those touching Swiss-American relations only. Hence, I urge action be delayed, if possible, pending Secretary's return to Washington. If, however, Department considers immediate action indispensable, please authorize me endeavor negotiate voluntary arrangement with Stucki before escape clause invoked. Statement showing certain aspects of this question as seen from this side forwarded by *Bremen* December 5th.

WILSON

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<sup>6</sup> See vol. I, pp. 535 ff.

<sup>7</sup> Presumably David Williamson of the Division of Western European Affairs.

<sup>8</sup> Not printed.

611.5431/525 : Telegram

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

WASHINGTON, December 2, 1936—7 p. m.

83. Your 91, December 2, 4 p. m. The Department is most unwilling to invoke escape clause and does not contemplate so doing at this time. No further consideration will be given this matter until the receipt of your statement forwarded by *Bremen*.

MOORE

611.5431/528

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

No. 4708

BERN, December 3, 1936.  
[Received December 11.]

SIR: I have the honor to refer to my telegram No. 91 of December 2, 4 p. m., regarding the Swiss-American Trade Agreement, with particular respect to the increased exports from Switzerland of watches and watch movements.

In that telegram I stated that I would endeavor to prepare a despatch in this connection. In the preparation of this report, I have been governed more by political considerations than by economic ones. The status of the affair from the purely economic point of view is fully before you. You are able to judge better than I as to the effect of the Swiss devaluation, even though accompanied by a rise in prices in Switzerland, upon the market for Swiss watches in the United States. You are able better than I to judge what proportion of this increase in Swiss exports is due to increased prosperity and purchasing activity in the United States, and what proportion is due to the stoppage accomplished by the Trade Agreement of smuggling of Swiss watch movements into the United States.

But it is, I think, difficult for anyone residing in the United States to appreciate the full measure of confidence in President Roosevelt and in Secretary Hull, which is felt in this Continent especially by the people who enjoy liberal forms of government. In the stress and strain under which they are living, the endorsement that the American people gave to the Administration is a proof to them that a mighty force intent on liberal institutions still exists in the world. I have seen nothing that approximates this sentiment since the reverence for President Wilson during the late months of 1918.

The only gleam of hope in the whole situation during the last League Assembly came from the economic phase of the discussion. The action of the United States and Great Britain in helping France through the thorny period of devaluation was a factor of high importance, but of even greater importance, I think, was the hope fostered by our liberal international trade policy. This policy meets with the liveliest sympathy on the part of all economic thinkers, even though they may be driven into other policies by what they consider overwhelming necessity. They hope and pray that the gradual extension of this liberal trade policy may reach, firstly, the great nations of the world and, secondly, by repercussion, the more dependent smaller nations. They were specifically impressed by the fact that the American Government aided the French devaluation at a moment in which we had just signed a commercial agreement with France, and that there was no reserve expressed on our part in respect to this commercial agreement and no threat issued by the American Government that French devaluation would bring about a dislocation of that agreement.

The Swiss public, as much as any other, shares this affectionate confidence in the American Administration and in the persons of President Roosevelt and Secretary Hull. This represents a complete change of attitude from that which existed since 1931 when our tariff began to bring disastrous effects upon one of the basic Swiss industries. The watch industry is the element of well-being to wide sections of Swiss territory, and hence its favorable or unfavorable condition has an immediate effect on the whole population. Were we to invoke the escape clause of the commercial agreement, although legally and technically we have, of course, every right to do so, we would at once change the temper of this people, and complete disillusionment would follow as to the genuineness of our belief in real liberalization of trade. We would be accused of opportunism and of repudiating our own economic faith the first minute the shoe pinches.

This might not be so serious if it were confined to Switzerland only. Swiss business, however, has wide and powerful ramifications in every country in Europe, and the hostility roused by such a denunciation would not be confined to Switzerland alone. These people are vociferous as no other when they believe that their rights have been infringed and when they believe they have been treated by a big country in a way in which they would not be treated were they of equal size and importance. I could well conceive that the denunciation of this one small item might cause a reversal of opinion throughout Europe which would reach unwholesome dimensions. The element of hope for economic recovery lies largely in the faith that these people have in the sincerity of our motive, in its lack of opportunism, and in its real conviction that by general liberalization of trade, recovery may be brought about and peace may be assured.

Thus, I feel that it is of real importance politically that we should avoid use of the "escape clause", if it is in any way possible. To this end, and if the present situation becomes untenable to you, I hope I may be authorized to attempt an arrangement with Dr. Stucki by which the Swiss will set a voluntary limit to their exports in this category of merchandise.

Respectfully yours,

HUGH R. WILSON

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**INFORMAL REPRESENTATIONS RESPECTING SWISS MEASURES FOR THE CONTROL OF IMPORTS IN ALLEGED VIOLATION OF THE RECIPROCAL TRADE AGREEMENT<sup>10</sup>**

654.116/59 : Telegram

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

WASHINGTON, May 29, 1936—6 p. m.

46. Despatch 424, May 19, 1936, from Zurich.<sup>11</sup> Please collect at once all pertinent facts and such documentary evidence as is available tending to show that a new and special tax has been imposed upon imports of American lard into Switzerland. Telegraph whether in your opinion this tax is in violation of Article I of trade agreement and on what grounds you base your opinion. Upon receipt of this information the Department will instruct you what representations it desires you to make to the Swiss Government.

HULL

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654.116/60 : Telegram

*The Chargé in Switzerland (Hawks) to the Secretary of State*

BERN, June 9, 1936—noon.

[Received June 10—8:45 a. m.]

51. Department's 46, May 29, 6 p. m. According to information from Consulate General import permits for foreign lard are conditional on payment of a tax representing the difference, approximately 35 francs per 100 kilograms, between the c. i. f. Basel, duty paid, price of that lard and the price in Switzerland as fixed by the Swiss Association of Importers of Livestock being the same as that for domestic lard. This tax is paid directly to the Federal Veterinary Bureau to a special account known as "export of livestock" and is used solely to encourage exports of livestock.

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<sup>10</sup> For text of the reciprocal trade agreement between the United States and Switzerland, signed January 9, 1936, see Department of State Executive Agreement Series No. 90, or 49 Stat. 3917.

<sup>11</sup> Not printed.

This action is taken under a Federal decree dated April 7, 1936 (see *Recueil des Lois Fédérales* number 11, April 8, 1936). Article 5 provides that imports of lard shall be granted as against exportation of livestock but according to the Consulate General Swiss importers have found it impossible to arrange for exports of livestock to the United States and therefore, in lieu of such compensation the present tax has been imposed to be used to aid exportation of livestock to European countries. Article 5 states in part that a consultative commission will propose "transactions of compensation" and article 7 provides that after certain reductions "the proceeds" shall be used to encourage exportation of livestock. This decree was issued under general authority granted by the Federal decree of October 14, 1933, concerning measures to be taken for economic defense against foreign countries (see despatch No. 3134, November 6, 1933<sup>12</sup>).

While the actual decree was issued after the coming into force of the Trade Agreement, it was based upon authority granted in a decree promulgated prior to the agreement. Therefore, in my opinion, it is a question of argument whether Switzerland has technically violated article I of the Trade Agreement.

While we could argue that the controlled tax decree was passed after the coming into force of the Trade Agreement, the Swiss could argue, in my opinion, without much justification in equity that it was passed [*based?*] upon a law in force prior to the agreement.

The Consul General informs me that despite the increased price which they must ask for imported lard importers have no difficulty in selling all they are allowed to import.

Granting of import permits for foreign lard is based on domestic supply and demand. Already this year there have been imported approximately 220 metric tons and if ordinary conditions prevail at least an equal amount will probably be further imported before the end of the year.

Consulate General concurs in the above.

HAWKS

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654.113 Typewriters etc. /20

*The Secretary of State to the Chargé in Switzerland (Bigelow)*

No. 3640

WASHINGTON, July 25, 1936.

SIR: The attention of the Department has recently been directed to a regulation of the Swiss customs service, issued February 1, 1936, imposing a stamp tax on payments of duties on practically all imported

<sup>12</sup> Not printed.

products. The regulation was published in the *Feuille Fédérale* of February 5, 1936, and was issued pursuant to a Federal decree of January 31, 1936.

The tax provided amounts to four percent of the total amount of the duty on all except certain limited categories of goods. Shipments of goods weighing 2,000 gross kilos or more which are subject to a duty of one franc or less per 100 gross kilos are taxable at two percent of the total duty. Duty-free goods and specified classes of gasoline and tobacco are exempt from the tax.

While the Department is without advice from your office as to this tax, it would appear from information supplied by the Woodstock Typewriter Company that the tax is being levied in connection with imports of American typewriters. It is the Department's opinion that the imposition of an additional tax of such a nature on products with respect to which duty assurances were given the United States in the trade agreement would constitute a violation of the obligations assumed by the Swiss Government under Article I of the agreement, which provides, in part, that the articles specified in Section A of Schedule I "shall also be exempt from all other duties, taxes, fees, charges or exactions, imposed on or in connection with importation, in excess of those imposed on the day of the signature of this Agreement or required to be imposed thereafter under laws of Switzerland in force on the day of the signature of this Agreement." The interpretation placed upon this commitment by the Government of the United States, namely that it prohibits any increase after the day of the signature of the agreement in charges, on or in connection with importation, which are imposed on the day of signature of the agreement or are required to be imposed thereafter under laws in force on that day, was made clear to the Swiss negotiators prior to the signature of the agreement. The Department believes that this intent of the Article is explicit in both the English and French texts of the agreement.

You are accordingly requested to ascertain whether the tax in question is levied on imports of American goods listed in Section A of Schedule I of the agreement, and, if so, whether the tax was required to be imposed by laws of Switzerland in effect on the day of signature of the agreement. In the event you find that the tax is being imposed in violation of the stipulations of the agreement upon the products on which duty assurances were given the United States, you are requested to take the matter up with the competent Swiss authorities with a view to securing the exemption of these products from the tax.

The Department recognizes that the tax, if applied in the manner which would appear to be indicated by the language of the order of February 1, 1936, does not discriminate against the United States, and



it does not question the good faith of the Swiss Government in levying the tax for revenue purposes. However, it is felt that, if a violation of the agreement is allowed to go unchallenged in this instance, a precedent may be established for the levying of further taxes in connection with imports which might have the effect of nullifying the concessions in the trade agreement.

An instruction with respect to the tax and the import permit system established by the Swiss authorities in connection with the importation of lard, which were dealt with in your telegram No. 51, of June 9, 1936, and your despatches Nos. 4383 and 4389, dated June 3 and June 9,<sup>13</sup> respectively, will be transmitted to you in the near future.

Very truly yours,

For the Secretary of State:  
FRANCIS B. SAYRE

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654.116 Lard/16

*The Secretary of State to the Chargé in Switzerland (Bigelow)*

No. 3660

WASHINGTON, August 7, 1936.

SIR: Reference is made to your despatches No. 4383 of June 3, and No. 4389 of June 9, 1936,<sup>14</sup> and to your telegram No. 51 of June 9 with regard to the conditions under which the Swiss Government is permitting the importation of lard from the United States. Reference is also made to despatch No. 424 of May 19 from the Consulate General in Zurich on this subject, and to a voluntary report dated July 7 from the same office<sup>14</sup> on the operation of the trade agreement, in which is included a discussion of the lard trade.

Upon the basis of the information submitted in the communications referred to, the Department is of the opinion that the system established by the Swiss for the control of lard importations is in direct violation of the commitments entered into by the Swiss Government in the trade agreement both as to the method employed in the granting of import permits and as to the levying of an additional tax.

The Department considers that the provision in the decree of April 7, 1936, which makes the authorization of lard imports dependent upon Swiss exports of livestock is inconsistent with the undertaking of the Swiss Government in the note appended to the assurance on lard in Section B of Schedule I of the agreement to allot to the United States an annual quota to be divided into four equal calendar quarter quotas. The requirement that a definite quota be established in the event import licenses or permits are required is also provided for in Section 2 of Article VII. Neither the fact that permits for the importation of

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<sup>13</sup> Despatches not printed.

<sup>14</sup> Neither printed.

lard have been granted within the required three months' period nor the circumstance that imports have come solely from the United States can be considered as a discharge of these definite obligations.

Furthermore, it is the view of the Department that the tax on lard described in your telegram of June 9 constitutes a direct violation of the obligations assumed by the Swiss Government in Article I of the trade agreement. The Department's interpretation of this Article has been stated in the instruction No. 3640, of July 25, 1936, with reference to the four percent tax on import duties provided for in the Swiss customs service order of February 1, 1936.

While it may be true that the imposition of a tax on lard was authorized under a law in force on the day of the signature of the agreement, namely, the decree of October 14, 1933, such a tax was not required to be imposed by the decree mentioned, and accordingly, the Department does not consider that the tax on lard constitutes an exception within the meaning of the final clause of Article I.

Although the Department is not entirely satisfied with the measures which have been taken by the Swiss Government to control lard imports, it is not in a position to judge whether a formal protest to the Swiss authorities at this time in the sense of the foregoing would have an adverse or a favorable effect on our trade in this product. The Legation's despatch No. 4389 of June 9 states that American lard exporters are probably faring as well as is possible under the existing conditions. The report of the Consulate General on the operation of the trade agreement implies, however, that the import control system is operating to their disadvantage.

Although the drought now prevailing may affect the export position of the United States with respect to lard, the Department understands that there is adequate lard available for export at the present time and it does not wish to take any action which will result in a curtailment of Swiss imports. As the Legation is aware, the Swiss negotiators advised the Department at the time the trade agreement was signed that Switzerland would be able to take only very limited quantities of lard. However, it is hoped that lard import permits will be granted in sufficient amount to restore at least a fair part of the market which was previously enjoyed by the United States. Imports of 700 metric tons, mentioned in the Legation's despatch of June 9 as the amount actually needed to supplement domestic production, would approximate imports of American lard in 1932, the smallest quantity imported in any depression year prior to the placing of the embargo on imports.

On the basis of the information available here, and pending the solution of the four percent stamp tax question, the Department is of the opinion that it would not be advisable to make this matter the subject of a formal protest to the Swiss authorities at this time, especially in the

absence of any complaints by American lard exporters. Should you deem it advisable, the matter might be taken up informally with the Swiss authorities in such a way as to point out that this Government is not satisfied with the measures which have been taken to control lard imports and that it reserves its full rights under the terms of the agreement to protest in the event that it is determined that the situation is working out to our disadvantage.

You are requested to keep the Department advised of any developments which would necessitate a review of the question and a further determination of the attitude which should be taken by this Government.

Very truly yours,

For the Secretary of State:  
WILLIAM PHILLIPS

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654.113 Typewriters etc./21

*The Chargé in Switzerland (Bigelow) to the Secretary of State*

No. 4528

BERN, August 14, 1936.  
[Received August 21.]

SIR: I have the honor to refer to the Department's instruction No. 3640 of July 25, 1936, respecting the imposition of a stamp tax of four percent on payments of duties on nearly all classes of products imported into Switzerland.

The Legation has ascertained that the tax in question is levied on imports of American goods listed in Section A of Schedule I of the trade agreement between Switzerland and the United States. Since it does not appear that the tax was required to be imposed by the laws of Switzerland in effect on the day of signature of the agreement, I have taken the matter up with the competent Swiss authorities with a view to securing exemption of these imports from the tax. A copy of the Legation's note to the Commercial Division of the Department of Public Economy, dated August 12, 1936, is enclosed.<sup>16</sup>

Prior to the delivery of the note just cited, I spoke of this matter to the Acting Director of the Commercial Division who stated that he preferred not to discuss the question until the return to Bern of the Director of the Division, Dr. Hotz, and of Mr. Walter Stucki, Delegate of the Federal Council for Foreign Trade. He recalled, however, that there had been a question, before the adoption of this tax measure by the Federal Council on January 31, of the possible bearing of this tax on the trade agreement with the United States.

The Department is informed that Mr. Stucki will return to Bern next week from his vacation and that the Legation's note will then be

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<sup>16</sup> Not printed.

brought to his attention by the Acting Director of the Commercial Division. I will endeavor further to impress on Mr. Stucki, on the first possible occasion, the Department's views in this matter.

The Legation has consulted the American Consulate General in Zurich and was informed by Mr. Frost that no protest had been brought to the Consulate General's attention by any American firm or Swiss importer, presumably for the reason that the actual amounts involved have been small and because it is applied without distinction as to country of origin of the merchandise concerned.

Any information received from the Swiss authorities as to their reaction to the Legation's representations will be reported without delay.

Respectfully yours,

DONALD F. BIGELOW

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654.116 Lard/17

*The Chargé in Switzerland (Bigelow) to the Secretary of State*

No. 4534

BERN, August 19, 1936.

[Received August 28.]

SIR: I have the honor to refer to instruction No. 3660 of August 7, 1936, setting forth the Department's point of view with regard to the conditions under which lard is imported by Switzerland from the United States.

I have noted in this connection that the Department believes that it would not be advisable at this time to make this matter the subject of a formal protest to the Swiss authorities, but that nevertheless, if the Legation saw fit, it might be taken up informally in such a way as to point out to the Swiss authorities that the United States Government is not satisfied with the measures which have been taken by Switzerland to control lard imports and that it reserves its full rights under the terms of the Trade Agreement to protest in the event that it is determined that the situation is working out to the disadvantage of American interests.

Believing that it would be altogether desirable to let the Department's dissatisfaction in regard to this matter be known to the Swiss authorities, especially in view of the connection of the equalization tax on lard imports with the principle involved in the matter of the four percent tax on payments of customs duties, I called this morning by appointment on Dr. Walter Stucki, the Federal Council's Delegate for Foreign Trade,—the official primarily competent to discuss and adjust such matters.

I found that Dr. Stucki had already had referred to him the Legation's note of August 12, 1936, addressed to the Commercial Division

of the Federal Department of Public Economy, concerning the matter of the four percent tax on payments of customs duties, a copy of which accompanied my despatch No. 4528 of August 14th.

In the beginning of our conversation I mentioned that a number of other questions had arisen also involving apparent violation of provisions of the Trade Agreement and that apart from the legal aspects involved it was certainly desirable that no unnecessary obstacles be placed in the way of American export trade with Switzerland which had so far, I said, derived little benefit from the Trade Agreement, while there had been a very marked increase since the first of the year in sales in the United States of Swiss products.

I then took up the specific question of control of lard imports and referred both to the method employed in the granting of import permits for lard and to the levying of the elastic tax on quota licenses for such imports. I spoke of the dissatisfaction of the Department with these measures and its opinion that neither one is in conformity with the provisions of the Trade Agreement, adding that I was of course aware that the Swiss Government had permitted greater quantities of lard to be imported from the United States in 1936 than in 1935 and that 100%, instead of 90% stipulated in the Agreement, of the importations allowed were granted to the United States.

The relationship between the equalization tax (or license fee on lard quota allotments) and the four percent stamp tax on duties was mentioned, and I expressed the hope that it would be possible soon to receive a favorable answer to the Legation's note of August 12, 1936, regarding the latter question.

For his convenience in studying the matter of the regulations on lard imports, I handed Dr. Stucki an informal letter embodying the parts of the Department's instruction No. 3660 of August 7, 1936, which I thought could properly be brought to the attention of the Swiss authorities at this time.

Following what I believed would be the Department's wishes in the matter, I stated in my letter that "the United States was reserving its full rights under the terms of the Trade Agreement to protest in the event that it is determined that the situation is working to the disadvantage of American interests", and I emphasized particularly the desirability of finding a solution of the four percent tax question. A copy of this letter, which is dated August 19th, is enclosed.<sup>17</sup>

Dr. Stucki stated that he had not had time since his return from his vacation to study the four percent tax matter and that in a few days' time he would examine it in connection with my observations relative to lard imports.

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<sup>17</sup> Not printed.

Commenting on the four percent tax, he said that it had been adopted "without his having been consulted in the matter and that he had no responsibility for its imposition"; that he foresaw an "immense difficulty", for fiscal reasons, in meeting the United States Government's wishes in regard thereto; and that while the removal of the tax so far as the United States alone is concerned would not involve a large loss of revenue, it would be quite another matter when taken from the same classes of products from other countries.

Since the question, in these circumstances, will undoubtedly be submitted to the Federal Council, and in particular to Mr. Obrecht, Federal Councillor, in charge of the Department of Public Economy, and to Mr. Meyer, Federal Councillor (President of the Confederation), in charge of the Department of Finance and Customs, it is anticipated that a considerable length of time may elapse before the Legation is informed of the decision reached by the Swiss Government in this matter.

The Legation will promptly report further developments as soon as it is in a position to do so.

Respectfully yours,

DONALD F. BIGELOW

654.116 Lard/18

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

No. 4592

BERN, September 22, 1936.  
[Received September 29.]

SIR: I have the honor to refer to the Department's instruction No. 3660 of August 7, 1936, regarding the measures taken by the Swiss Government in connection with the importation of lard, and to the Legation's despatch No. 4534, of August 19, 1936, with which was enclosed a copy of an informal letter to Dr. Stucki, setting forth the Department's point of view in the premises.

The Legation has now received a reply from Dr. Stucki, dated September 19th, in which he sets forth at considerable length the attitude of the Swiss Government in the matter.

While Dr. Stucki takes issue with the point of view expressed by the Department as regards the legality of the measures adopted, it is felt that the detailed explanations furnished by him as a result of the Legation's informal representations may be helpful to the Department in determining its attitude in any review of the question which may become necessary in the future.

There is also enclosed a copy of my acknowledgment<sup>18</sup> of Dr. Stucki's note in which I stated that his explanations would be sub-

<sup>18</sup> Not printed.

mitted to the Department of State for use in any review it may care to make of the question.

Respectfully yours,

For the Minister :  
DONALD F. BIGELOW  
*Secretary of Legation*

[Enclosure—Translation]

*The Delegate of the Swiss Federal Council for Foreign Trade  
(Stucki) to the American Chargé (Bigelow)*

BERN, September 19, 1936.

MR. CHARGÉ D'AFFAIRES: In your note of August 19th last, you were good enough to call my attention to certain measures taken by the Swiss Government with a view to controlling the importation of lard. You added that the Department of State considered these measures to be in violation of commitments undertaken by the Swiss Government in the commercial agreement of January 9, 1936, with respect (1) to the method employed in the granting of import permits for lard and (2) the levying of an elastic contingent allotment license fee for such imports.

After having conscientiously studied this matter, I have the honor to reply as follows:

1. The importation of lard into Switzerland was restricted by the decree of the Federal Council No. 33, of April 27, 1934, concerning the limitation of imports. It is precisely because of this fact that the American Government had formulated, in its first list of desiderata for the commercial negotiations, the request for the abolition of the quota. Since the American Government has been aware since 1934 of the existence of this restriction, it could not invoke against it paragraph 2 of Article VII of the agreement, which refers to new quotas.

2. The American authority who, according to your note, refers to paragraph 2 of Article VII, as well as to the note ad 95 of Part B of the commercial agreement, does not seem to be entirely familiar with the history of the stipulation regarding lard and with the formal declarations made in this regard by Switzerland. Although you may be aware of these declarations and they must be known also to the competent authorities at Washington, I desire to recall that in the course of the negotiations the Swiss Delegation constantly stressed the fact that, in view of the precarious situation of Swiss agriculture and Switzerland's domestic policy, the Federal Council could not undertake a commitment for the importation of even small quantities of lard in the near future. It agreed to the inclusion in the agreement of the stipulations relative to lard only on the insistence of the American Delegation, which attached great importance to the stipulation in question—if only for visual effect! In order to avoid any future mis-

understanding, the Swiss Government confirmed in writing that the competent authorities could, until further instructions, grant import permits for very limited quantities only (note from the Swiss Legation at Washington to Mr. Hull, Secretary of State, of January 9, 1936, which Mr. Hull acknowledged the same day<sup>19</sup>).

3. In spite of this formal declaration, the federal authorities have endeavored to devise means to be agreeable to the Government of the United States. In a note of May 27th last<sup>20</sup> addressed to your predecessor, Mr. Hawks, the Director of the Division of Commerce took pleasure in bringing to his attention the happy results of these efforts. If it has been possible to achieve these results, it is due only to the measures against which objection is raised in your note.

4. According to that note, the American authorities seem to consider that the practice of making the grant of import permits dependent on Swiss exports of livestock is inconsistent with the undertaking of the Federal Government. I venture to reply that I am unable to share this view. This is a condition imposed long before the conclusion of the commercial agreement and which has not been abrogated by the latter. It does not, furthermore, exist at present (see paragraph 6 below).

5. The same applies to the "lard tax" or "license fee" mentioned on page 2 of your note (see also paragraph 6 below). Contrary to the view expressed in your note, there was no question of an import tax in the sense of the provisions of Article 1 of the commercial agreement, but simply of a contribution by which the importer of lard might be relieved of the obligation to export, to any country, livestock or livestock products, mentioned in paragraph 4 above. The body entrusted with the levying of this contribution then undertook the exportation in lieu of the importer of lard. The clearing of the domestic market resulting from these exports made it possible to be more liberal in the granting of import authorizations for lard.

6. In the meantime, the method described in paragraphs 4 and 5 has been replaced by the centralization of lard importation in a single office. There results therefore a monopoly in fact in the sense of Article VIII of the commercial agreement of January 9, 1936. This article obligates Switzerland to give to the other country fair and just treatment, in so far as concerns purchases made by the office vested with the monopoly. It goes without saying that the competent Swiss authorities will take pains to see that this provision, as well as the stipulation under the number 95 of Part B of the commercial agreement relative to the purchase from the United States of 90% of total lard imports, shall be strictly observed by the office above mentioned.

7. In summarizing the foregoing, I desire to point out once again that the measures taken by the federal authorities are not contrary to the commitments undertaken in the commercial agreement. Furthermore, far from impeding the importation of lard, they make possible purchases which, without them, would be absolutely impossible—in view of our agricultural situation and of our domestic policy—and

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<sup>19</sup> *Ante*, pp. 796 and 797.

<sup>20</sup> Not printed.



which the American Government could not expect in face of the Swiss declarations made during the negotiations and confirmed in writing on the very day the commercial agreement was signed.

The measures taken, it is true, are looked upon with dissatisfaction by certain Swiss importers, who, in their thought of profit and ignoring the declarations referred to above, see only their immediate interests without taking into account the disastrous effects which, in the circumstances described, the realization of their desires would have on the importation of American lard.

I venture to hope that, in the light of the explanations you will submit, the American Government will recognize the entire good faith with which Switzerland has acted in this matter and the legality of the measures taken from the point of view of the commercial agreement, and particularly articles I, VII, and VIII. I trust that it will appreciate furthermore that the interest of certain Swiss importers of lard, opposed to the provisions in force, is absolutely incompatible with the well-understood interest of American exporters wishing to maintain and even increase their lard exports to Switzerland.

Please accept [etc.]

STUCKI

**UNION OF SOVIET SOCIALIST REPUBLICS**  
(See *Foreign Relations, The Soviet Union, 1933-1939*,  
pages 281-356.)

## YUGOSLAVIA

### CONSIDERATION OF YUGOSLAV DISCRIMINATORY TRADE PRACTICES AND PROPOSALS FOR A TRADE AGREEMENT WITH YUGOSLAVIA

611.60h31/19‡

*Memorandum by the Assistant Secretary of State (Sayre)*

[WASHINGTON,] December 3, 1935.

The Yugoslav Minister<sup>1</sup> called to see me at 12 o'clock on December 3, 1935. After exchanging a few general remarks, Mr. Fotitch informed me that he had been instructed by his Prime Minister,<sup>2</sup> upon coming to America, to broach the subject of a possible trade agreement with the United States.<sup>3</sup> He desired, therefore, to ascertain the attitude of the United States with regard to a possible trade agreement.

I replied to Mr. Fotitch that my Government was interested in such a trade agreement and hoped that the time would come when we might enter into a mutually advantageous agreement. I said, however, that there were two reasons why the time did not seem to me opportune just now to enter into such negotiations. In the first place, since we are already engaged in active negotiations with many countries, our negotiators could not well take on an additional country and, no matter how anxious we might be, physical limitations would prevent. In the second place, I explained to the Minister something of our political difficulties, stating that we had just completed the Canadian trade agreement<sup>4</sup> under which we make certain agricultural concessions to Canada and that, as a result, the farm lobbies, which are powerful in this country, are threatening to make trouble. It would not be wise, therefore, at this time to undertake negotiations with another country whose interests are primarily agricultural, with the possible exception

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<sup>1</sup> Constantin Fotitch.

<sup>2</sup> Milan Stoyadinovitch.

<sup>3</sup> The Yugoslav Minister had already conversed on November 12, 1935, with Wallace S. Murray, Chief of the Division of Near Eastern Affairs, concerning the possibility of regular conversations at some expedient date for the negotiation of a trade agreement between the United States and Yugoslavia (611.60h31/19‡). He also raised this subject during his meeting with the Secretary of State on December 10, 1935 (611.60h31/20).

<sup>4</sup> See *Foreign Relations*, 1935, vol. II, pp. 18 ff. For text of the agreement signed on November 15, 1935, see Executive Agreement Series No. 91, or 49 Stat. 3960.

of Argentina with which we agreed months ago to undertake negotiations at the earliest possible moment. For these reasons I suggested that, although we hoped that the day would come when we could undertake negotiating a trade agreement with Yugoslavia, the present time does not seem opportune.

I next explained to Mr. Fotitch that Yugoslavia would profit in the meantime by our generalizing to it such trade concessions as we make to other countries in our trade agreements, provided that Yugoslavia should not discriminate against American trade. I then explained to him the situation which had developed with regard to Czechoslovakia resulting in our exchange of notes with that country,<sup>5</sup> each undertaking to extend most-favored-nation treatment to the other. Mr. Fotitch then asked me whether his Government might expect to continue to receive generalizations from us and I replied that it might so long as it did not discriminate against American trade. He asked whether we saw any evidence of such discrimination. I replied that I should be very happy to look into the matter and, after I had had a chance to study the situation, to discuss the matter with him again. He said that he should be very glad indeed to do so. I asked him whether his Government would like to enter into an exchange of notes as the Czechoslovak Government had done. He replied that he had no instructions as to this but he presumed that his Government would be glad to do so. I said that I should be glad to discuss this whole matter with him after I had made the promised study.

He also spoke of the very substantial discrepancies in the statistics of trade between Yugoslavia and the United States as published by the two Governments. I said that doubtless this would be accounted for in large part by trans-shipments through the free German ports or otherwise. He said that he trusted that these discrepancies in the figures would be borne in mind in our investigation.

F[RANCIS] B. S[AYRE]

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611.60h31/22

*Memorandum by the Secretary of State*

[WASHINGTON,] July 6, 1936.

The Minister of Yugoslavia came in to say goodbye before sailing for home for the summer. He undertook to explain the recent embargo measures of his Government calculated to affect some of our

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<sup>5</sup> See *Foreign Relations*, 1935, vol. II, pp. 137 ff. For text of the notes signed on March 29, 1935, see Executive Agreement Series No. 74, or 49 Stat. 3674.

American exports.<sup>6</sup> He then suggested consideration of a trade agreement between the two countries.

I repeated with emphasis the economic program of this Government and pointed out that it was much broader in its objectives than mere dollars and cents which might be derived from bilateral bargaining or bartering; that it contemplated the normal restoration of international trade and the consequent removal of a large range of both economic and political difficulties and controversies. I then added that I did hope his Government might see its way clear to proclaim the same ultimate economic objectives and to emphasize them from week to week and month to month in the most public manner; that his Government in that way could be very helpful to the advancement of our trade agreements program; that the nations would go backward, instead of forward, under the existing policy of bilateralism so prevalent in Europe; and that I earnestly trusted his Government might see its way clear to face forward economically, instead of backward by imposing embargoes in a discriminatory manner. I further stated that we had the highest opinion of the people of his country and were very desirous of improving and expanding our trade relations in every way mutually desirable and profitable; and that to this end we were giving due attention to all of the fundamentals and the details of the situation.

The Minister indicated as he left that he would go back and very earnestly preach the fundamentals of our economic program and its objectives to the appropriate officials of his Government.

I finally emphasized to him that Europe with its civilization was not making progress under the existing narrow, trouble-breeding, economic policies; that it was moving noticeably in the wrong direction; and that I felt the adoption of some such economic policy as this Government was advancing would be the largest single factor for restoration of sane economic conditions in Europe, as well as in other parts of the world.

C[ORDELL] H[ULL]

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<sup>6</sup>The American Consul in Belgrade, Robert B. Macatee, submitted a report on July 3, which analyzed the presumed consequences to American trade of the Yugoslav import control measures of June 25, establishing financial quotas on imports from countries with which Yugoslavia had no clearing agreements. The restrictions would affect the total of American trade less than might have been expected at first glance, because approximately 90 percent of American exports were not included in the list of 33 articles subject to the new controls. Among the imports of American goods which might be most interfered with, automobiles and radios constituted the most important items. (660h.006/12)

660h.116/20

*The Minister in Yugoslavia (Wilson) to the Secretary of State*

[Extract]

No. 581

BELGRADE, September 12, 1936.

[Received October 6.]

SIR: I have the honor to report that, since my return from leave, I have had several conversations with Mr. Fotitch, the Yugoslav Minister at Washington, who is working energetically to induce his Government to abandon or at least modify the present system of import permits, which he believes is an unwise measure and harmful to Yugoslavia itself. He has discussed this question with the Prime Minister, with Mr. Pilja, Assistant Minister for Foreign Affairs, especially charged with commercial matters at the Foreign Office, and especially with the Minister of Commerce.<sup>7</sup> He even told the latter that the opinion in America is increasing that the measures to reduce American imports were discriminatory and that if this opinion gained ground, retaliatory measures against Yugoslavia might be adopted by the American Government. He also pointed out to the Minister how unwise, shortsighted and even dangerous it was, in his opinion, to lose by this system long established contacts on the American market, which Yugoslavia might wish later, and probably too late, to recover. And finally, he pointed out to the Minister the danger in his opinion, of Yugoslavia becoming practically the commercial vassal of Germany, which might later fail it and leave Yugoslavia practically without foreign markets. Mr. Fotitch said that he had found the officials with whom he spoke sympathetic and was assured that the situation would receive further examination. Confidentially he told me that he had received the impression that while his Government would not at this time abandon the present system in principle, it might possibly relax its present strictness and that the applications for American imports would be studied in each individual case and the system applied in a more liberal spirit. He said that the Minister of Commerce had asked him to tell me that he would like to discuss the situation with me and I shall not fail to call upon him as soon as he returns to Belgrade.

Respectfully yours,

CHARLES S. WILSON

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<sup>7</sup> Dr. Vrbanich.

660h.116/21

*The Minister in Yugoslavia (Wilson) to the Secretary of State*

No. 584

BELGRADE, September 15, 1936.

[Received October 6.]

SIR: Referring to the Legation's Despatch No. 581 of September 12th, I have the honor to report that I today called on the Minister of Commerce at his request. My impression is that, after his recent conversation with Mr. Fotitch, Yugoslav Minister at Washington, in which the latter reported the bad impression made in Washington by the Yugoslav import restrictions, hinting at possible retaliation, the Minister wished to try to explain to me the Yugoslav point of view, and assure me that there was no intentional discrimination against American goods. The Minister accordingly merely went over the same old ground again explaining the motives which had forced Yugoslavia to adopt the system of restricting imports with countries with which Yugoslavia had passive trade balances, which has been reported to the Department in previous correspondence. He added that in 1935 the trade between the United States and Yugoslavia had nearly balanced, but that the first six months of 1936 had shown a very active balance in favor of the United States. This may have been due to the fact that importers of American goods, foreseeing the application of restrictions, had laid in large stocks during this period, and may be corrected by the trade of the second six months. When the Minister denied that there had been any intentional discrimination against American goods, I remarked that nevertheless importers of American goods have been unfavorably affected by the recent import regulations, and that certain other countries, especially Germany, have profited by them to the detriment of the United States. The Minister acknowledged that this fact was true but a regrettable necessity from the Yugoslav point of view.

The Minister said that he had heard indirectly, although no case had come to his notice, that certain importers of American goods were trying to form associations to export Yugoslav goods to the United States and thus secure a trade balance between the two countries which would automatically do away with import restrictions. (Legation's Despatch No. 581 of September 12, 1936). I told him that I had heard the same reports but that I knew nothing personally of any such movement.

The Minister said that he intended to have further conversations with Mr. Fotitch before the latter's departure for Washington, and also proposed to have a conference at which would be present not only Mr. Fotitch, but experts from his Ministry and Mr. Pilja, Assistant Minister for Foreign Affairs charged especially with commercial mat-

ters (now in Italy negotiating an Italian-Yugoslav provisional commercial agreement), at which questions would be discussed concerning commercial relations between Yugoslavia and the United States as affected by the present import restrictions. In closing, the Minister said that if this conference should be able to arrive at any definite results he would again ask me to come to see him.

Mr. Fotitch expects to be in Washington about the middle of October and the Department may be interested to learn from him directly the result of his conversations with Yugoslav officials which he has had during his stay in Belgrade on this and other subjects connected with American-Yugoslav relations.

Respectfully yours,

CHARLES S. WILSON

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611.60h31/33

*Memorandum by the Chief of the Division of Near Eastern Affairs  
(Murray)*

[WASHINGTON,] December 2, 1936.

On October 23, Mr. Fotitch, the Yugoslav Minister, called by request on Mr. Murray to discuss the problem of American-Yugoslav trade relations as raised by the Yugoslav import control measures of June 25, 1936. Mr. Wilson, our Minister to Yugoslavia, Mr. Hawkins<sup>8</sup> and Mr. Barnes<sup>9</sup> participated in the conversation with the Minister.

It may be stated by way of explanation that prior to Mr. Fotitch's departure from Washington on home leave in July the Minister was given to understand in informal conversations with officers of the Department that we considered the Yugoslav import control measures of June 25, 1936, to be in contravention of certain provisions of the Treaty of 1881 with Yugoslavia,<sup>10</sup> and particularly in disregard of Article 5 of that Treaty. It was also made known to the Minister that the Department was considering what steps should be taken by it under the circumstances. The Minister had tacitly agreed with our interpretation of the Yugoslav measures and had explained that one of the principal reasons why he was going to Belgrade was to seek to dissuade his Government from any policy that might have disastrous effects upon its trade with the United States.

In an informal discussion between the Minister and a member of the Near Eastern Division several days after the Minister had returned

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<sup>8</sup> Harry C. Hawkins, Chief of the Division of Trade Agreements.

<sup>9</sup> Maynard B. Barnes, Assistant Chief of the Division of Near Eastern Affairs.

<sup>10</sup> Treaty of Commerce and Navigation, signed at Belgrade, October 2/14, 1881; for text, see William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1776-1909* (Washington, Government Printing Office, 1910), vol. II, p. 1613.



to Washington on October 13, the problem presented to the Department by the Yugoslav import control measures was reviewed. As the Minister had returned empty handed from Belgrade he appeared, during this informal discussion, to anticipate that the Government of the United States would soon take drastic action with respect to Yugoslav imports. When it was suggested that perhaps the situation could be met by a friendly agreement between the two Governments which would permit the Government of the United States to withhold from Yugoslav imports the benefits of our trade agreements through suspension of certain articles of our Treaty of 1881 in exchange for tacit recognition by us of the fact that at least for the present Yugoslavia must follow the policy of controlled imports, the Minister seemed most relieved.

The meeting on October 23 was held for the purpose of sounding out the Minister more definitely with respect to the possibility of an agreement between the two Governments whereby the most-favored-nation provisions with respect to trade of the Treaty of 1881 would be set aside without the necessity of denunciation of the Treaty and of a consequent delay of one year, during which time the Yugoslav Government would find itself in the unpleasant situation of failing to live up to its treaty obligations and at the same time the United States would not be free to withhold trade benefits from Yugoslav commerce.

The Minister agreed that it would be desirable for his Government to regularize its position with respect to the Treaty of 1881, and he admitted the force of our argument that it is of importance to the Government of the United States for reasons of principle to adhere to its announced policy of withholding generalization of trade agreement benefits in the event of discrimination against American trade. In fact, the Minister appeared persuaded during the whole of the conference that the Department was trying to meet the situation brought about by the import control measures of his Government in a most friendly manner by suggesting an agreement whereby both parties would regularize their respective positions with regard to the 1881 Treaty and at the same time would safeguard policy in a manner calculated to cause the minimum of disturbance to the trade relations between the two states.

The Minister's only request was that the formula adopted to set aside the most-favored-nation provisions with respect to trade of the 1881 Treaty should be of such a nature as to accomplish automatic reentry into force of these provisions upon the return of Yugoslavia to a trade policy compatible therewith.

The Minister left the conference with the understanding that the Department would soon hand him a draft of an agreement setting aside certain articles of the Treaty of 1881 which he could submit to his Government for its consideration.

A suggested draft of such an agreement, together with a draft declaration in favor of an early return to the most-favored-nation principle in the trade relations between the two states, is submitted herewith.<sup>11</sup>

In informal conversations during the past ten days with the Yugoslav Minister, officers of the Department have gained the impression that the Minister has, since the conference of October 23, become more than ever persuaded that his Government is making a mistake by following a policy incompatible with our trade policy. In fact, he appears to have been giving considerable attention during the past few weeks to the possibility of increased markets for Yugoslav products in the United States by virtue of the benefits conferred by our trade agreements, and to have come to the conclusion that those benefits may soon be of very real value to his country. Under these circumstances it is suggested that we hand the Yugoslav Minister, along with the draft agreement setting aside certain provisions of the 1881 Treaty, the draft *modus vivendi* also attached to this memorandum.<sup>11</sup> We could tell the Minister that we wished to do everything in our power to protect the mutual trade relations of the two states and that with this end in view we are offering his Government the two alternatives possible in the light of the trade policy of his Government.

It is suggested that the drafts be communicated to the Minister with a covering note embodying the greater part of the statement of our trade policy as set forth in the memorandum which the Trade Agreements Division proposed early this summer to send to various of our missions in connection with the Secretary's desire to obtain declarations on the part of other governments favoring the principles embodied in our trade agreement policy. Such a note would have the merit of providing the Yugoslav Government with a clear and comprehensive statement of the factors underlying our proposal either to conclude a *modus vivendi* in harmony with our trade policy or an agreement setting aside certain provisions of the 1881 Treaty.

Mr. Frangeš, Secretary of the Yugoslav Legation at Washington, is returning to Belgrade to take up a position in that section of the Foreign Office which deals with American questions. He will leave Washington on Wednesday, December 9th, and the Minister believes that it would prove most helpful if he could have our proposal in time for Mr. Frangeš to carry it to Belgrade. It is earnestly hoped that we can meet the Minister's wishes in this respect. Mr. Frangeš is in complete sympathy with our trade policy. It would, therefore, be to our interest to have him actually deliver the documents to Belgrade.

WALLACE MURRAY

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<sup>11</sup> Not found in Department files.

611.60h31/35

*Memorandum by the Assistant Chief of the Division of Near Eastern Affairs (Barnes)*

[WASHINGTON,] December 17, 1936.

The Yugoslav Minister called at the Division this morning to receive the Department's note of today's date<sup>12</sup> with respect to Yugoslav-American trade relations.

While at the Division the Minister read the note and its enclosures with considerable care, discussing various points in the documents as he went along. From the nature of his comments it would seem fair to conclude that he will present our proposals, and particularly the suggested *modus vivendi*, in a favorable light to his Government.

The Minister said that if the decision rested with him he would find no difficulty in accepting the *modus vivendi*. He said that he was convinced that the benefits to his Government of controlled trade are more apparent than real, that, in fact, this policy is forcing Yugoslavia to purchase goods that it doesn't want, and at exorbitant prices, while at the same time Yugoslav products are being sold to third countries by Germany for free exchange which is greatly needed by his country.

The Minister pointed out, however, that his Government is so steeped in thoughts of clearing and compensation agreements that it is difficult if not impossible for officials at Belgrade to comprehend that a country like the United States actually has no machinery for controlled trade. He asked if he might assure his Government that such was the case and he was told that he could. At the close of the discussion the Minister expressed the view that if his Government is unable to accept the *modus vivendi*, it certainly could not reasonably contend that the United States should allow the existing situation to continue without protest. It was therefore reasonable for the United States to propose either the *modus vivendi* or the suspension of certain of the articles of the Treaty of 1881.

611.60h31/35

*The Acting Secretary of State to the Yugoslav Minister (Fotitch)*

WASHINGTON, December 17, 1936.

SIR: I have the honor to refer to recent informal conversations between yourself and officers of the Department concerning those problems of Yugoslav-American trade relations that have grown out of

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<sup>12</sup> *Infra.*

the control measures of the Yugoslav Government affecting imports from the United States, and to submit herewith, for consideration by your Government, alternative proposals looking to the regularization of the trade relations of our two countries.

The first proposal is in the form of a draft *modus vivendi* which would assure fair and equitable treatment to the commerce of each State in the territory of the other. It is my earnest hope that this proposal will commend itself to your Government as it embodies the liberal principles in support of which the commercial policy of the United States Government, under the Act of Congress of June 12, 1934,<sup>13</sup> was formulated.

The commercial policy of the United States Government, which has found expression in trade agreements concluded with fifteen countries during the two and a half years in which the Act of June 12, 1934, has been in force has a twofold objective. On the one hand, it aims to reduce tariff barriers and the many other impediments against which international commerce in recent years has been forced to struggle. On the other, it seeks to reduce and progressively to eliminate the maze of discriminatory and arbitrary practices which now distort and strangle trade and to substitute in their stead an order based upon the principle of equality of treatment.

[Here follows an extensive review of the trade agreements program of the United States and of the restrictive commercial measures adopted by a number of countries.]

It is the most earnest hope of the United States Government that the Government of the Kingdom of Yugoslavia will decide to lend its active support to the commercial program here recommended and that in consequence it will conclude that the *modus vivendi* submitted herewith affords an acceptable basis for the future of Yugoslav-American trade relations.

The alternate proposal submitted herewith is embodied in a draft agreement to set aside certain Articles of the Treaty of Commerce between the United States of America and Serbia, signed at Belgrade October 2-14, 1881, and in a draft of an exchange of notes setting forth the desire of our two governments to re-establish mutual trade relations on the basis of unconditional most-favored-nation treatment at the earliest possible moment.

This proposal is based upon recognition by the Government of the United States that the preferential and discriminatory practices employed by some governments today have grown out of concrete problems and difficulties, that the trade of the countries which have resorted to them or have been forced by other countries to adopt them may have come to depend to a certain degree upon them and that they

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<sup>13</sup> 48 Stat. 943.

are in a number of instances expressed in commitments that cannot immediately be terminated. It is thought, if such considerations are controlling in the case of Yugoslavia, and your Government therefore is unable to accept the proposed *modus vivendi*, that it is desirable from the standpoint of both the Government of Yugoslavia and the Government of the United States of America that the contractual obligations between the two States be brought in harmony with existing fact. In this connection it should be repeated that the United States Government considers that, having due regard to its international obligations, it should withhold the benefits of equal treatment under its trade agreements program from nations which do not in turn grant equal treatment to it.

I may say in conclusion that the Government of the United States believes that the program which it is pursuing, of negotiating bilateral agreements based upon the principle of non-discriminatory treatment, offers the surest course by which trade barriers can be reduced and the process of abandoning discriminatory practices be initiated and carried forward. The fact that Yugoslavia participated in the Sixteenth Assembly of the League of Nations which adopted a resolution on September 28, 1935<sup>14</sup> giving full support to this program leads me to believe that your Government will accord sympathetic consideration to the views set forth in this communication and to hope that the trade problems between our two States will be speedily resolved in a manner calculated to foster and improve the trade relations between our two countries.

Accept [etc.]

[File copy not signed]

[Enclosure 1]

*Draft "Modus Vivendi" Between the United States and Yugoslavia*

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington by representatives of the Government of the United States of America and the Government of the Kingdom of Yugoslavia with reference to the treatment which the United States of America shall accord to the commerce of the Kingdom of Yugoslavia and which the Kingdom of Yugoslavia shall accord to the commerce of the United States of America.

These conversations have disclosed a mutual understanding between the two Governments which is that:

1. In respect of import, export and other duties and charges affecting commerce, as well as in respect of transit, warehousing and other

<sup>14</sup> League of Nations, *Official Journal*, Special Supp. No. 138 (Geneva, 1935), p. 128.

facilities, the United States of America will accord to the Kingdom of Yugoslavia and the Kingdom of Yugoslavia will accord to the United States of America, its territories and possessions, unconditional most-favored-nation treatment.

2. Accordingly, it is understood that with respect to customs duties or charges of any kind imposed on or in connection with importation or exportation, and with respect to the method of levying such duties or charges, and with respect to all rules and formalities in connection with importation or exportation, and with respect to all laws or regulations affecting the sale or use of imported goods within the country, any advantage, favor, privilege or immunity which has been or may hereafter be granted by the United States of America or the Kingdom of Yugoslavia to any article originating in or destined for any third country, shall be accorded immediately and unconditionally to the like article originating in or destined for the Kingdom of Yugoslavia or the United States of America, respectively.

3. In the event either country establishes or maintains import or customs quotas, or other quantitative restrictions, or any system of foreign exchange control, the share of the total permissible importation of any product or of the total exchange made available for importation of any product of the other country shall be equal to the share in the trade in such product which such other country enjoyed in a previous representative period.

4. Neither the United States of America nor Yugoslavia shall regulate the total quantity of importations into its territory or sales therein of any article in which the other country has an interest, by import licenses or permits issued to individuals or organizations, unless the total quantity of such article permitted to be imported or sold, during a quota period of not less than three months, shall have been established, and unless the regulations covering the issuance of such licenses or permits shall have been made public before such regulations are put into force.

5. The advantages now accorded or which may hereafter be accorded by the United States of America or the Kingdom of Yugoslavia to adjacent countries in order to facilitate frontier traffic, and advantages resulting from a customs union to which either the United States of America or the Kingdom of Yugoslavia may become a party, shall be excepted from the operation of this Agreement.

6. It is understood that the advantages now accorded or which may hereafter be accorded by the United States of America, its territories or possessions, the Philippine Islands, or the Panama Canal Zone to one another or to the Republic of Cuba shall be excepted from the operation of this Agreement.

7. Nothing in this Agreement shall be construed as a limitation of the right of either country to impose on such terms as it may see fit

prohibitions or restrictions (1) imposed on moral or humanitarian grounds; (2) designed to protect human, animal or plant life; (3) relating to prison-made goods; (4) relating to the enforcement of police or revenue laws; or (5) relating to the control of the export or sale for export of arms, ammunition, or implements of war, and, in exceptional circumstances, all other military supplies.

8. Nothing in this Agreement shall be deemed to affect the rights and obligations arising out of the Treaty of Commerce between the United States of America and Serbia, signed at Belgrade October 2-14, 1881.

9. The present Agreement becomes operative on this . . . . . day of . . . . ., . . ., and shall continue in force until superseded by a more comprehensive commercial agreement or by a definitive treaty of commerce and navigation, or until denounced by either country by advance written notice of not less than thirty days.

Accept, Sir, the renewed assurances of my highest consideration.

[Enclosure 2]

*Draft Agreement Setting Aside Certain Provisions of the Treaty of Commerce Between the United States of America and Serbia, Signed October 2-14, 1881*

The undersigned duly authorized representatives of the United States of America and the Kingdom of Yugoslavia on behalf of their respective Governments have reached the following agreement:

*Article 1.* As from the effective date of this agreement, and so long as the Government of the Kingdom of Yugoslavia shall maintain, directly or indirectly, any governmental measure by virtue of which the commerce of the United States is prevented from sharing in the Yugoslav market for any article or product in accordance with its proportionate participation therein during a previous representative period, Articles VI, VII and IX of the Treaty of Commerce between the United States of America and Serbia, signed at Belgrade October 2-14, 1881, and which was made applicable to the Kingdom of Yugoslavia by the note of September 29, 1921,<sup>15</sup> from the Yugoslav Chargé d'Affaires ad interim at Washington, shall be without force and effect.

*Article 2.* The two Governments shall agree by an exchange of notes as to the time when Articles VI, VII and IX of the Treaty of October 2-14, 1881, shall again have full force and effect.

*Article 3.* The present agreement shall be ratified and shall become effective on the thirtieth day after the exchange of ratification, which shall take place at Belgrade as soon as possible.

<sup>15</sup> Not printed.

Done in duplicate, in the English and French languages, both authentic, at the City of Washington this . . . . day of . . . . ., 1937.

[Enclosure 3]

*Draft of Exchange of Notes to Accompany Agreement Setting Aside Certain Provisions of the Treaty of Commerce Between the United States of America and Serbia, Signed October 2-14, 1881*

SIR: I have the honor to refer to the agreement signed today between the Government of the United States of America and the Government of the Kingdom of Yugoslavia providing for the suspension of Articles VI, VII and IX of the Treaty of Commerce between the United States of America and Serbia, signed at Belgrade October 2-14, 1881, and which was made applicable to the Kingdom of Yugoslavia by the note of September 29, 1921, from the Yugoslav Chargé d'Affaires ad interim at Washington.

The conversations leading to this agreement have disclosed a mutual desire on the part of the Government of the United States of America and the Government of the Kingdom of Yugoslavia to reestablish the trade relations between their respective countries on the basis of unconditional most-favored-nation treatment at the earliest possible moment. In harmony with this identity of views the two Governments have decided to consult together in advance should either Government contemplate the adoption of any new measures of trade control which might adversely affect the mutual trade relations of the two States. The purpose of such consultation shall be the protection of the mutual trade of the two States from such barriers to the exchange of goods as may hinder an early return to the unconditional most-favored-nation treatment as a basis for the trade relations between the two States.

Accept, Sir, the renewed assurances of my highest consideration.

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611.60h31/31 : Telegram

*The Minister in Yugoslavia (Wilson) to the Secretary of State*

BELGRADE, December 21, 1936—2 p. m.  
[Received December 21—12:08 p. m.]

42. Assistant Minister for Foreign Affairs has proposed informal conversation concerning present Yugoslav import restriction. Before complying believe it would be advisable for me to be informed of status of negotiations on this subject between Department and Yugoslav Minister which were discussed during my recent visit at Washington.

WILSON



611.60h31/31 : Telegram

*The Acting Secretary of State to the Minister in Yugoslavia (Wilson)*

WASHINGTON, December 23, 1935 [1936]—5 p. m.

17. Your 42, December 21, 2 p. m. The following proposal was made to Fotitch by note dated December 17:

1. Conclusion of a *modus vivendi* similar to the agreement of March 29, 1935, with Czechoslovakia. See Executive Agreement Series No. 74.

2. In the event the *modus vivendi* is unacceptable to Yugoslavia the conclusion of an agreement setting aside Articles 6, 7 and 9 of the 1881 Treaty, this agreement to be accompanied by an exchange of notes setting forth the desire of the two governments to reestablish trade on unconditional most-favored-nation basis at earliest possible notice.

Copies of the note, which explains our trade agreements policy in considerable detail and stresses the need to conserve the most-favored-nation principle if world trade is to be revived, and of the enclosed drafts, together with departmental memoranda relating to the trade problem with Yugoslavia, were transmitted to you by mail instruction dated December 21.<sup>16</sup>

Under the circumstances you may consider it desirable to inform the Assistant Minister of the note to Fotitch and suggest that the proposed informal conversations be delayed until either the Foreign Office has received the text of the note and enclosures or you have received the Department's instruction of December 21.

MOORE

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**LIABILITY OF AMERICAN CITIZENS HAVING DUAL NATIONALITY FOR MILITARY SERVICE WHEN VISITING YUGOSLAVIA**<sup>17</sup>

711.60h4/26

*The Secretary of State to the Minister in Yugoslavia (Wilson)*

No. 136

WASHINGTON, February 4, 1936.

SIR: Reference is made to the Legation's despatch No. 1632 of May 12, 1933,<sup>18</sup> in which it was reported that the Minister had been informed by Minister Yeftich and Minister Purich of the Foreign Office, that although the Foreign Office had endeavored to obtain some decisive answer respecting the treaty concerning naturalized citizens and persons born with dual nationality, proposed by the Department,

<sup>16</sup> Instruction of December 21 not printed.

<sup>17</sup> For previous correspondence, see *Foreign Relations*, 1934, vol. II, pp. 742 ff.

<sup>18</sup> Not printed.

a copy of which was enclosed with the Department's instruction No. 315 of September 4, 1931,<sup>19</sup> it had thus far been unsuccessful. The despatch stated that it appeared that the War Office was very much opposed to the proposals set forth in the draft of the naturalization treaty, as they considered that they might lose some military recruits in this manner, and concluded that it did not seem that we might look forward in the near future to any adjustment of naturalization agreements.

As a considerable period of time has elapsed since the date of the above-mentioned despatch, the Department desires that you ascertain and report whether there may have been any modification in the attitude of the authorities of Yugoslavia with respect to the question of concluding a treaty of the kind proposed.

In presenting this matter to the Foreign Minister,<sup>20</sup> it is deemed expedient that you emphasize the reciprocal character of the proposed treaty, which should be advantageous to Yugoslavia as well as the United States, and that in this regard you call special attention to the provisions of the third and fourth articles.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

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711.60h4/28

*The Minister in Yugoslavia (Wilson) to the Secretary of State*

No. 501

BELGRADE, April 9, 1936.  
[Received May 1.]

SIR: In accordance with the Department's instruction No. 136 of February 4, 1936 (File No. 711.60H4/26) the Legation in a note dated February 19, 1936 inquired of the Ministry of Foreign Affairs whether the attitude of the Yugoslav Government had changed concerning the possibility of concluding a naturalization treaty between Yugoslavia and the United States.

No reply having been received I referred to the matter in a conversation at the Foreign Office a few days ago. The Chief of the Political Division stated that he and the Ministry generally were in favor of such a treaty, but that it was believed that the Ministry of War and Marine maintained their previous position. However, he was going to ask the Yugoslav Minister in Washington<sup>21</sup> for a report and an expression of opinion on this question, which he had also been discussing with other Foreign Office officials. He said that after Mr.

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<sup>19</sup> *Foreign Relations*, 1931, vol. II, p. 1054.

<sup>20</sup> Milan Stoyadinovitch, also President of the Council of Ministers (Premier).

<sup>21</sup> Constantin Fotitch.

Fotitch's reply had been received, the Ministry of War would be approached on the subject, adding that it would have to be done in a most tactful manner as that Ministry was extremely touchy about anything which showed a tendency on the part of any other Department of the Government to intervene in any matter which it considered as being within its province. My impression from the conversation was that the Chief of the Political Division has not much hope that the point of view of the Ministry of War will have changed, and that in spite of being in favor of such a treaty the Ministry of Foreign Affairs would hesitate to insist strongly in case of the disapproval of the Ministry of War. In any event I believe that there will be considerable delay before a definite reply will be received by the Legation.

Respectfully yours,

CHARLES S. WILSON

360h.117 Rigler, Frank/9

*The Minister in Yugoslavia (Wilson) to the Secretary of State*

No. 513

BELGRADE, April 23, 1936.

[Received May 7.]

SIR: I have the honor to refer to the Legation's despatch No. 504 of April 10, 1936,<sup>22</sup> concerning the military service case of Frank Rigler.<sup>23</sup> On page two of that despatch I explained that I believed that cases of this sort were due to misunderstanding caused by replies given to persons contemplating a visit to Yugoslavia by Yugoslav consulates in the United States. I therefore requested the Foreign Office to instruct the Yugoslav consulates in the United States that in reply to inquiries as to immunity from military service in Yugoslavia they inform the visa applicants that they are permitted to spend a period of six months every three years in Yugoslavia without being obliged to serve their military term on condition that they have fulfilled all the provisions of Article 45 of the Yugoslav Military Law.<sup>24</sup>

The Legation is in receipt of a note from the Foreign Office, dated April 20, 1936, stating as follows:

<sup>22</sup> Not printed.

<sup>23</sup> The Yugoslav military authorities had held Mr. Rigler for the performance of military service while temporarily visiting in Yugoslavia, although he had been born in the United States of Yugoslav parentage and claimed American citizenship. The incident arose because the Yugoslav Consul in New York had not made it clear at the time when the visa had been issued that the applicant had not ceased to be considered a Yugoslav national, because he had not previously applied for and obtained authorization to expatriate himself, as required by Yugoslav law. (360 h. 117 Rigler, Frank/5-8)

<sup>24</sup> For the main provisions of this law, see despatch No. 976, January 19, 1931, from the Minister in Yugoslavia, *Foreign Relations*, 1931, vol. II, pp. 1050, 1051.

"In reply to the note of the Legation of the United States of America No. 357 of April 4, 1936, the Royal Ministry of Foreign Affairs has the honor to inform the Legation that it has not failed to give new instructions to all Royal Diplomatic and Consular Missions abroad concerning the strict application of the provisions of Art. 45 of the Law on the Organization of the Royal Army and Navy."

As the result of these instructions it is hoped that there will be fewer cases of American citizens who, upon their arrival in Yugoslavia, are taken for military service.

Respectfully yours,

CHARLES S. WILSON

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360h.117 Rigler, Frank/12

*The Chargé in Yugoslavia (Abbott) to the Secretary of State*

No. 361 [561]

BELGRADE, August 6, 1936.

[Received August 25.]

SIR: I have the honor to acknowledge receipt of the Department's instruction No. 160 of July 6, 1936,<sup>25</sup> (File No. 360H.117 Rigler, Frank/9 [10]) in regard to the information to be furnished to American citizens of Yugoslav origin who are planning to visit Yugoslavia.

The Legation has carefully studied the text of the new paragraph, No. 63 Yugoslavia,<sup>25</sup> which the Department plans to include in the *Notice to Bearers of Passports*, and is of the opinion that it is a correct statement of the conditions under which an American citizen of Yugoslav origin may visit Yugoslavia with immunity from military service in Yugoslavia. However, in response to the Department's desire to receive any suggestions which the Legation might care to make in regard to the revised paragraph, the Legation would suggest that emphasis be made of the fact that not only are naturalized Americans of Yugoslav origin subject to the provisions of the military service law but also that the children of parents of Yugoslav origin, unless they have renounced their Yugoslav nationality under Article 31, are equally subject to these provisions, regardless of the fact that the children were born in the United States.

Persons of the category indicated are advised to commence the regularization of their status, under Article 45, or to take steps toward renunciation of Yugoslav nationality, under Article 31, well in advance of their departure for Yugoslavia so that the competent Yugoslav diplomatic or consular officials may communicate, if the circumstances so require, with the authorities in Yugoslavia.

Respectfully yours,

WAINWRIGHT ABBOTT

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<sup>25</sup> Not printed.

711.60h4/30

*The Minister in Yugoslavia (Wilson) to the Secretary of State*

No. 585

BELGRADE, September 15, 1936.

[Received October 6.]

SIR: In the Legation's Despatch No. 501 of April 9, 1936, I reported that in discussing the possibility of concluding a Naturalization Treaty between the United States and Yugoslavia, I was told at the Foreign Office that before giving a definite reply it desired to consult the Yugoslav Minister in Washington. As Mr. Fotitch is now in Belgrade I inquired of him a few days ago if he knew how the matter was progressing. He told me that he strongly favored the conclusion of such a treaty and had discussed the matter in this sense with Foreign Office officials who were also favorable, but that he anticipated opposition to the treaty from the Minister of War.<sup>26</sup>

Yesterday I called on the Chief of the Diplomatic Section of the Foreign Office to inquire whether the matter was making any progress. He said that a report favoring the treaty had been received from the Juridical Department of the Ministry of Foreign Affairs and that that Ministry was in favor of the treaty; but he also feared the opposition of the military elements. He said that the Ministry of War would shortly be approached on the subject but that it would have to be done in a most tactful and delicate way in order not to have the door to discussion definitely closed by a flat refusal. Mr. Fotitch has had several conversations at the Foreign Office concerning the treaty and told me that he had pointed out, as I had done myself, the injury done to Yugoslavia by naturalized American citizens who have been held for military service in Yugoslavia, upon their return to the United States where, as a rule, they carry on a violent propaganda against the country of their birth.

I shall continue to bring the matter of a Naturalization Treaty to the attention of the Foreign Office from time to time, but I do not anticipate a definite decision at an early date.

Respectfully yours,

CHARLES S. WILSON

360h.117/100

*The Acting Secretary of State to the Minister in Yugoslavia (Wilson)*

No. 181

WASHINGTON, December 17, 1936.

SIR: The Department has received the Legation's despatch No. 605 of October 17, 1936,<sup>27</sup> enclosing a translation of an addition to para-

<sup>26</sup> Gen. Lyubomir Marich.<sup>27</sup> Not printed.

graph 55-a of the Yugoslav Law of September 6, 1929, for the Organization of the Army and Navy, as amended by the Law of October 28, 1931. In the light of the despatch mentioned and of previous despatches from your office, paragraph 63, for incorporation in the new *Notice to Bearers of Passports*, which was originally submitted to you on July 6, 1936 (File No. 360H.117 Rigler, Frank/9[10]),<sup>28</sup> has been further revised and a copy thereof is enclosed, together with two copies of the pamphlet mentioned, with the request that you state whether the proposed new paragraph is concurred in by you.<sup>29</sup>

Very truly yours,

For the Acting Secretary of State:

WILBUR J. CARR

[Enclosure]

*New Paragraph Proposed for Incorporation in Pamphlet Entitled  
"Notice to Bearers of Passports"*

63. Yugoslavia.—The laws of Yugoslavia are understood to require compulsory military service on the part of male Yugoslav subjects and to prescribe that Yugoslav nationals cannot relinquish their citizenship without the consent of the Yugoslav Government.

Under Article 45 of the Yugoslav Law of September 6, 1929, concerning the Organization of the Army and Navy, as amended by Article 28 of the Yugoslav Law of October 28, 1931, it is understood that persons born in Yugoslavia who departed from the Kingdom five years or more prior to recruitment, and have been naturalized as citizens of the United States in their own right or through their parents, and who have passed the age of 25 years, and have not been released from Yugoslav citizenship, will be permitted to visit Yugoslavia every three years for a period not exceeding six months without being compelled to perform military service in Yugoslavia, if they have regularized their status as provided in Article 45. That Article is understood to provide that such persons may report to a Yugoslav diplomatic or consular officer in the United States when the military obligation falls due, or not later than the attainment of 25 years of age, and settle their obligations. Naturalized American citizens of Yugoslav origin are urgently advised before beginning their journey to Yugoslavia to endeavor to regularize their status under Yugoslav law and for that purpose to submit to the nearest Yugoslav diplomatic or consular officer in this country the following information: their own name and surname of their father; birthplace, com-

<sup>28</sup> Not printed.

<sup>29</sup> The Minister replied in his despatch No. 662, January 9, 1937, that the proposed new paragraph was "a correct statement of the conditions under which an American citizen of Yugoslav origin may visit Yugoslavia with immunity" from military service (360h.117/103).

munal domicile and military district to which they belong; day, month and year of birth; date of departure from Yugoslavia; date of naturalization in the United States; and exact address in this country. They should be careful to request the diplomatic or consular officer to advise them in writing as to their status under Article 45 of the law and whether they may visit Yugoslavia for the six months' period without danger of molestation.

It is also understood that under Article 31 of the Yugoslav Nationality Law of September 21, 1928, subjects of the Kingdom born in a foreign country and permanently residing there have the right to declare within three years after they have reached the age of twenty-one years that they decline nationality of the Kingdom if they prove that the foreign country in which they were born considers them as its citizens in accordance with its laws. Persons born in the United States of Yugoslav parents may make such declaration of renunciation of Yugoslav nationality before a Yugoslav diplomatic or consular officer in the United States. After thus divesting themselves of Yugoslav nationality, such persons would not, of course, be subject to military liabilities in Yugoslavia, but are subject thereto until released from Yugoslav nationality. It is understood that persons in this category who have not made such declaration of renunciation of Yugoslav nationality will, nevertheless, under the provisions of Article 45 of the Yugoslav law of September 6, 1929, as amended by Article 28 of the Law of October 28, 1931, be permitted to visit that country every three years for a period not exceeding six months without being compelled to perform military service in Yugoslavia if they have passed the age of twenty-five years and if before reaching that age they have regularized their status as provided in Article 45; but before leaving the United States they should be careful to present their cases to a Yugoslav diplomatic or consular officer in this country and to obtain from him a statement in writing as to their status under Article 45 of the Yugoslav law and whether they may reside in Yugoslavia for six months without danger of molestation.

Persons of the categories indicated above are advised to begin the regularization of their status under Article 45 or to take steps toward renunciation of Yugoslav nationality under Article 31 well in advance of their departure for Yugoslavia so that the competent Yugoslav diplomatic or consular officials may communicate, if the circumstances so require, with the authorities in Yugoslavia.





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