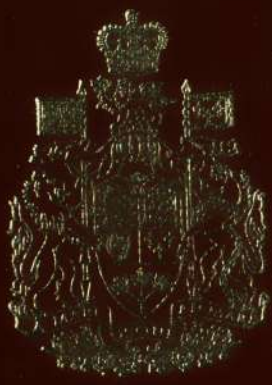

DOCUMENTS RELATIFS AUX RELATIONS EXTÉRIEURES DU CANADA

DOCUMENTS ON CANADIAN EXTERNAL RELATIONS

DOCUMENTS RELATIFS AUX RELATIONS EXTÉRIEURES DU CANADA

DOCUMENTS ON CANADIAN EXTERNAL RELATIONS

VOLUME 5

1931 - 1935

Compilé par / Edited by
Alex I. Inglis
Carleton University

MINISTÈRE DES AFFAIRES EXTÉRIEURES
DEPARTMENT OF EXTERNAL AFFAIRS

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INTRODUCTION

La période couverte par le présent volume des *Documents relatifs aux relations extérieures du Canada* correspond presque entièrement à celle du régime de M. Bennett au Canada. Ce fut le malheur de M. R. B. Bennett et du parti conservateur que leur mandat ait coïncidé avec les heures les plus sombres de la crise. L'incapacité où se trouvaient les conservateurs de résoudre les problèmes intérieurs qui en ont découlé et qui étaient presque insolubles, a conduit au retour au pouvoir de M. W. L. Mackenzie King et du parti libéral en 1935. La reprise du pouvoir par M. Mackenzie King marquait le début d'un règne libéral qui a duré sans interruption pendant 22 ans. Si l'on ajoute à cette période les neuf années de régime libéral à peine interrompu qui, sous M. Mackenzie King, ont précédé les années Bennett, on a comme une impression de continuité dans les affaires canadiennes.

Ce long règne libéral de M. Mackenzie King au Canada a fait naître le mythe libéral ou whig de l'historiographie canadienne. Nulle part ailleurs, ce mythe n'a-t-il été aussi largement diffusé ni aussi généralement reçu que dans l'histoire des relations extérieures du Canada. De là découle la théorie rectiligne de l'évolution du Canada du statut de colonie à celui de nation qui a fourni la structure philosophique pour l'examen de la politique extérieure du Canada.

Malheureusement, ce schème ne faisait aucune place à M. R. B. Bennett. C'est pourquoi lui et son gouvernement ont été jugés comme une aberration, un égarement de courte durée dans l'évolution directe et étroite de la véritable destinée du Canada, un élan de folie occasionné par la pression de la crise économique de 1930. La seule chose raisonnable à faire dans un tel cas, était de ne tenir aucun compte de cette période. Pour ce qui est de la politique extérieure canadienne, on a graduellement pris pour acquis qu'il ne s'est pas traité d'affaires extérieures de quelque importance entre 1930 et 1935. Cet aspect du mythe a marqué notre société tellement profondément, que lorsque l'on a d'abord déterminé le champ chronologique du présent volume au sein du ministère des Affaires extérieures, un fonctionnaire a averti l'éditeur qu'il pourrait fort bien ne pas trouver suffisamment de documentation pour justifier la parution d'un volume complet de la série. A la vérité, cependant, la tâche de l'éditeur n'a pas changé depuis les premiers volumes; elle demeure celle de découper systématiquement la documentation jusqu'à ce qu'elle convienne au format de la présente série. Il est à espérer que le choix des documents présentés ci-après incitera les autres à étudier de plus près certaines questions de cette demi-décennie, à consulter les documents nécessairement rejetés par l'éditeur, à fouiller les documents moins officiels que ceux qui ont été utilisés pour constituer la présente série et à

INTRODUCTION

The time covered by this volume of *Documents on Canadian External Relations* corresponds almost exactly with that of the Bennett régime in Canada. It was the misfortune of R. B. Bennett and the Conservative Party that their period in office coincided with the worst years of the Great Depression. The failure of the Conservatives to deal with the resulting domestic problems that were all but impossible of solution led, in 1935, to the return to power of W. L. Mackenzie King and the Liberal Party. The return of Mackenzie King to office ushered in 22 years of uninterrupted Liberal rule. When that period is joined to the nine years of all but uninterrupted Liberal rule under Mackenzie King which preceded the Bennett years there is created the impression of a continuous régime in Canadian affairs.

This long reign of Mackenzie King Liberalism in Canada has given rise to the Whig myth of Canadian Historiography. Nowhere has that myth been more widely promulgated nor more generally accepted than in the history of Canadian external relations. There a straight line theory of Canadian development from colony to nation has provided the philosophical structure for the examination of Canada's foreign policy.

Unfortunately, there was no place for R. B. Bennett in this scheme of things. As a result he and his government have been treated as an aberration, a temporary wandering from the straight and narrow path of the true Canadian destiny, a flight into madness brought on by the stress of economic hardship in 1930. The only reasonable thing to do in such circumstances was to ignore the period completely. With regard to Canadian external policy there developed the truism that there were really no foreign affairs of any note conducted between 1930 and 1935. So deeply had this part of the myth penetrated our society that, when the chronological range of this volume was first settled upon within the Department of External Affairs, one official warned the Editor that he might not find enough documentary material to justify a full-scale volume in the series. In fact, however, the Editor's task remained what it had been in the earlier volumes—the disciplined cutting back of material until it came to fit the format of this series. It is hoped that the selection of documents contained herein will stimulate others to look more closely at some of the questions of that half decade; to look at the material necessarily rejected by the Editor; to conduct research in less official papers than those used in the preparation of this series; and to search out the public and private foreign reaction to Bennett's policies particularly in London, Washington, Geneva and Tokyo. Thus may a blatant imbalance in Canadian scholarship be corrected.

The preceding volume told the story of R. B. Bennett at the 1930 Imperial Conference. There he strongly urged that it was time for the Empire to show

découvrir quelle a été la réaction du public et des particuliers aux politiques de M. Bennett, spécialement à Londres, à Washington, à Genève et à Tokyo. Ainsi pourrait-on corriger cette lacune flagrante qui afflige l'érudition canadienne.

Le volume précédent exposait la ligne de conduite suivie par M. R. B. Bennett lors de la Conférence impériale de 1930. A cette occasion, M. Bennett a énergiquement soutenu qu'il était temps que l'Empire révèle son utilité immédiate. Il a préconisé un système de coopération économique destiné à relever les défis de l'heure. Le présent volume contient les documents relatifs aux tentatives visant à réaliser ce projet lors de la Conférence économique impériale de 1932, à Ottawa. A certains égards, cela constituait l'ultime effort en vue de créer un système impérial ayant pour objet de répondre aux grandes aspirations des pays membres. Dans l'ensemble, cette tentative a échoué. C'est peut-être à cette occasion-là que fut porté le coup fatal à l'Empire. Bien que ce dernier conservât toujours une certaine valeur stratégique et militaire et qu'on y trouvât encore ces «liens mystiques» partout proclamés, il n'y eut jamais plus d'effort sérieux afin d'élaborer un système satisfaisant pour la communauté des nations «britanniques».

Tout comme les questions économiques et commerciales dominent la scène impériale dans le présent volume, elles occupent aussi le premier plan des autres relations du Canada avec l'étranger. Les négociations en vue d'un nouvel accord commercial avec les États-Unis qui ont abouti au traité de 1937 ont débuté au cours de cette période. Les documents retenus illustrent l'ampleur de ces négociations. La guerre économique menée contre le Japon est tout aussi intéressante. M. R. B. Bennett a abordé le défi japonais de front. Il en est résulté une situation dont la détérioration accélérée a culminé dans une impasse. L'éditeur peut fort bien s'insurger contre l'analyse rectiligne de la politique étrangère de M. King; il ne saurait mettre en doute la compétence de ce dernier en qualité de conciliateur d'intérêts divergents. L'habileté avec laquelle il a rétabli les relations commerciales canado-japonaises menacées en est un exemple saisissant.

Parallèlement aux grandes questions économiques de l'époque se profilait celle, menaçante, de la sécurité. Au moment où le rêve du désarmement s'estompe en douce, s'amorce la détérioration des affaires internationales qui a finalement conduit à la Seconde Guerre mondiale au cours de cette période. A la Société des Nations, l'atmosphère de crise s'accentue jusqu'au moment où, en 1935, le défi auquel se heurte l'expérience de Genève éclate en plein jour, concrétisé par la guerre italo-éthiopienne. Le rôle du Canada dans cette crise, qui a fait l'objet de discussions exhaustives, est depuis désigné sous le nom d'Affaire Riddell. On n'a sans doute pas fini d'en discuter. Les documents choisis ne permettent pas d'attribuer le «blâme» de l'incident à aucun participant en particulier et ils ne démontrent pas non plus l'effet qu'a produit sur la politique britannique la répudiation de M. Riddell, ni surtout les répercussions qu'elle a pu avoir sur la pensée de sir Samuel Hoare au moment de sa recontre avec M. Pierre Laval, à Paris, six jours plus tard. Cela demeure incertain. Ce que les documents révèlent, cependant, c'est la diver-

its practical usefulness. He advocated a system of economic co-operation to meet the challenges of the day. In this volume is included documentation of the attempt to work this out at the 1932 Imperial Economic Conference in Ottawa. In some respects this was the last attempt to create an imperial system which would meet the wider needs of the member countries. By and large it failed. Perhaps this is the ultimate failure of the Empire. Although it yet had a certain strategic and military value and although there were still those "mystic ties" which have been so widely acclaimed, there was never again a serious effort to develop a satisfactory imperial system for the community of "British" nations.

As economic and trading questions dominate the imperial scene in this volume so also they loom large in other Canadian relationships. The negotiation of a new trade agreement with the United States which led to the 1937 treaty began in this period. The documents selected show how far these negotiations were carried. The economic war carried on with Japan is of similar interest. R. B. Bennett met the Japanese challenge head on. The result was a rapidly deteriorating situation which ended in impasse. The Editor may quarrel with the straight line analysis of King's foreign policy; he would not argue with King's skill as a conciliator of conflicting interests. His deftness in restoring the shattered Canadian-Japanese trading relationship provides an excellent example of that skill.

Coincidental with the great economic issues of the age was the menacing security question. As the dream of disarmament is quietly laid to rest, the deterioration in international affairs which led ultimately to World War II gets underway in this period. At the League of Nations the atmosphere of crisis grows until in 1935 the fatal challenge to the Geneva experiment unfolds on mid-stage in the form of the Italo-Ethiopian war. The Canadian role in that crisis has come to be known as the Riddell Affair and has been the subject of considerable discussion. It will doubtless be discussed further. The documents selected do not show that any of the participants can be "blamed" for the incident, nor, unfortunately, do they show the effect of the repudiation of Riddell on British policy, particularly the effect on Sir Samuel Hoare's thinking as he met with Pierre Laval in Paris six days later. That remains in doubt. What the documents do show is the clear divergence between Bennett's and King's policy. Bennett and King maintained consistent positions on sanctions; but their respective positions were miles apart.

The criteria of selection have remained essentially as outlined in the preceding volume. It might, however, be of some value to restate the general concept of this series. It is designed to make public a selection of documents which tell the basic story of the formulation and implementation of Canadian external relations. The main events, issues and problems of the era, naturally command more space and attention than the smaller issues. It is felt, however, that the handling of major items can only be kept in perspective when the myriad of day to day problems are borne in mind. For this reason many minor topics are included. In selecting documents for publication, the Editor has first and foremost tried to demonstrate what transpired. He has also tried to select documents which reveal how policy was carried out and why a particular policy was adopted.

gence indéniable qui existait entre la politique de M. Bennett et celle de M. King. MM. Bennett et King ont maintenu des positions cohérentes sur les sanctions, mais leurs positions respectives étaient diamétralement opposées.

Les critères de sélection demeurent essentiellement les mêmes que ceux qui ont été exposés dans le volume précédent. Il serait peut-être utile, cependant, de redonner l'orientation générale de la présente série. Elle a pour objet de livrer au public un choix de documents qui racontent les principaux faits de la formulation et de l'exécution des relations extérieures du Canada. Les principaux événements, questions et problèmes de l'époque, exigent naturellement plus d'espace et d'attention que les questions de moindre importance. On estime, toutefois, que la seule façon de conserver aux questions principales leur juste perspective est de ne pas perdre de vue la multitude des problèmes quotidiens. C'est pour cette raison, que de nombreux sujets secondaires trouvent place dans la série. Lorsqu'il a choisi les documents à publier, l'éditeur a d'abord tenté de faire la lumière sur ce qui s'y trouvait à l'état latent. Il a également essayé de choisir des documents qui révèlent comment les politiques ont été exécutées et pourquoi une ligne de conduite particulière a été arrêtée. A l'occasion, les documents révèlent un affrontement sur la politique à mettre en œuvre. En d'autres occasions, les documents peuvent laisser le lecteur dans le doute quant à leur origine et au sort qu'ils ont connu. L'exemple le plus frappant en sont les documents 14 et 15. Le premier propose un échange de légations avec la Chine; le second annule la proposition. L'éditeur n'a rien trouvé qui puisse expliquer ce bref et mystérieux épisode.

Nul n'oserait prétendre que les quelque mille documents du présent volume constituent, d'une certaine façon, l'essence même des affaires extérieures canadiennes au cours de cette période. Le choix d'un autre éditeur s'écarterait de celui-ci à de nombreux égards, car la sélection est un processus subjectif qui s'inscrit à l'intérieur des paramètres de la discipline historique. L'éditeur espère que la présente sélection est suffisamment représentative pour être utile à celui qui étudie la politique extérieure canadienne et veut approfondir sa matière.

Pour exécuter son travail, l'éditeur a eu libre accès aux documents pertinents du ministère des Affaires extérieures et aux collections qui s'y rattachent aux Archives publiques du Canada, notamment à ce qu'il est convenu d'appeler les documents Skelton, les documents Bennett sur microfilms ainsi que les documents King. Dans son introduction au volume 4 de la série, l'éditeur a écrit:

> «L'assurance peut être offerte au lecteur qu'en dehors de certaines considérations d'espace, il n'a été omis aucun document susceptible de jeter de la lumière sur les relations extérieures du Canada. L'éditeur a eu accès à tous les documents de la période et n'a dû se plier à aucune restriction concernant leur choix et leur publication. Aucun document n'a été omis pour des raisons d'État ou pour éviter de la gêne à une personne ou à un groupe quelconque.»

Cette assurance est maintenant réitérée à l'égard du présent volume.

On occasion the documents reveal a conflict of position on the policy to be pursued. On other occasions the documents may leave the reader wondering about their genesis and outcome. The prime example is Documents 14 and 15. The first proposes an exchange of legations with China; the second cancels the proposal. The Editor can find nothing to explain this mysterious and short-lived episode.

No claim is made that the almost one thousand documents of this volume are in some way the essential documents of Canadian external affairs in the period. Any other editor's selection would vary from this one in a number of particulars; for selection is a subjective process within the parameters of the historical discipline. The Editor hopes that this selection is sufficiently representative to be of value to the student of Canadian foreign policy in the examination of his subject.

In carrying out his work the Editor has had full and free access to the relevant papers of the Department of External Affairs and the related collections in the Public Archives of Canada, notably the so-called Skelton Papers, the microfilmed Bennett Papers, and the King Papers. In his introduction to Volume 4 of the series, this Editor wrote:

> The reader is assured that, subject to considerations of space, no documents have been omitted if it was felt that they would throw light upon Canada's external relations. The Editor has had access to all documents of the period and has been under no restrictions in their selection and publication. No document has been omitted for reasons of state or to avoid embarrasssment to any individual or group.

That assurance is now repeated with reference to the present volume.

In the course of his work in the Department of External Affairs the Editor was fortunate in having as a colleague John A. Munro, Editor of Volume 6 in this series. In particular, his willingness to assume the role of devil's advocate has been of great assistance in helping the Editor to clarify his thinking, and is much appreciated.

Previous Editors have thanked those anonymous individuals employed by the Department who have assisted in the production of the volumes. A change in government policy now permits naming these people. Although the Editor alone is responsible for the selection of documents he would like to take advantage of that change in policy to thank a number of people. Two officers of Historical Division have been involved in the production of each of the volumes in the series. They are G. W. Hilborn and G. R. Blanchet. To them the Editor is indebted. Gordon Hilborn has been painstaking in his work on the manuscripts and has been an unwavering advocate of consistency in the presentation of documents—no easy task in a series of this magnitude. He has been a constant support and source of encouragement who cheerfully bore the brunt of the Editor's frustations.

Gaston Blanchet has worked with each of the successive Editors in various capacities. When the selection of documents for this volume was completed they were turned over to him. He supervised the production of the volume at all stages from that point. The preparation of the manuscript for the printer,

Au cours de ses travaux au ministère des Affaires extérieures, l'éditeur a eu le bonheur d'avoir comme collègue M. John A. Munro, éditeur du volume 6 de la présente série. En particulier, le fait que M. Munro ait accepté d'assumer le rôle d'avocat du diable a été d'un grand secours et a aidé l'éditeur à préciser sa pensée, ce qu'il a beaucoup apprécié.

Les éditeurs précédents ont remercié les employés du Ministère qui ont travaillé dans l'ombre à la réalisation de ces volumes. Une modification de la ligne de conduite adoptée par le Ministère permet maintenant de nommer ces personnes. Bien que l'éditeur assume seul la responsabilité de choisir des documents, il voudrait profiter de cette nouvelle ligne de conduite pour remercier certaines personnes. Deux fonctionnaires de la Direction historique ont participé à la réalisation de chacun des volumes de la série, notamment M. G. W. Hilborn et M. G. R. Blanchet. L'éditeur leur doit beaucoup. M. Gordon Hilborn a accompli un travail de moine pour ce qui est des manuscrits et il s'est fait l'avocat indéfectible de la cohérence dans la présentation des documents, ce qui n'est pas une mince tâche lorsqu'il s'agit d'une série de cette envergure. Il s'est révélé un appui constant et une source d'encouragement et il a joyeusement soutenu le poids des frustrations de l'éditeur.

M. Gaston Blanchet a travaillé avec chacun des éditeurs successifs à des titres divers. Une fois terminée la sélection des documents pour le présent volume, c'est à lui qu'on les a confiés. A compter de ce moment, il a dirigé toutes les étapes de la réalisation du volume. La préparation du manuscrit pour l'imprimeur, l'établissement de la liste des documents et des principales personnalités, la table des matières, la correction d'épreuves et les communications avec l'imprimeur, tout s'est effectué sous sa direction. L'éditeur sait par expérience que cela n'est pas une mince tâche et il est reconnaissant envers M. Blanchet pour le travail qu'il a accompli, travail dont la qualité est évidente.

L'éditeur a également pu compter sur l'aide d'un certain nombre d'étudiants-recherchistes. L'espace manque pour les nommer tous; il en est cependant un qui mérite un mot de remerciement spécial, soit M^lle^ Olena Kaye qui s'est révélée une collaboratrice particulièrement compétente et agréable.

L'éditeur désire aussi mentionner les deux hommes qui ont occupé le poste de chef de la Direction historique pendant son stage à titre d'historien. M. A. A. Day a institué le système des historiens et des éditeurs détachés à plein temps, ce qui a permis d'accélérer considérablement le rythme de publication de la présente série. M. A. E. Blanchette, qui lui a succédé, a maintenu et élargi ce système. Les résultats de cette expansion se manifesteront lors de la publication du volume 7 et des volumes suivants. L'éditeur a trouvé chez l'un et l'autre la bonne grâce de se rendre aux désirs d'un chercheur indépendant travaillant à l'intérieur d'une structure ministérielle, ce dont il est reconnaissant. Bien que d'autres personnes qui ont participé à la réalisation du présent volume et des précédents demeurent dans l'ombre, leur travail n'en est pas moins apprécié.

Alex I. Inglis

the listing of documents and principal persons, the indexing, the proofreading and the relations with the printer were all done under his aegis. From experience the Editor knows that that is no mean task and is grateful to Mr. Blanchet for his work, the quality of which speaks for itself.

The Editor has also been assisted by a number of student researchers. There is not space to name them all; to one in particular, however, is due a special word of thanks. Miss Olena Kaye was as able and pleasant an assistant as anyone ever had.

The Editor would also like to mention the two men who served as Head of Historical Division while he was Resident Historian. A. A. Day initiated the system of full-time resident historians and editors which has led to a much more rapid rate of publication in this series. A. E. Blanchette, who succeeded him, has continued and expanded that system. The results of that expansion will be seen with the publication of Volume 7 and its successors. The Editor found in both men a willingness to accommodate an independent scholar within the structure of a government department; for that he is grateful. Although others who helped in the production of this and preceding volumes remain unnamed, their work too is appreciated.

Alex. I. Inglis

LISTE DES PRINCIPALES PERSONNALITÉS
LIST OF PRINCIPAL PERSONS

Alderdice (F. C.), premier ministre de Terre-Neuve (1932–1934).

Amery (L. C. M. S.), secrétaire aux Dominions (1925–1929); député (1929–1940).

Armour (N.), ministre des États-Unis au Canada (1935–1938).

Ashton (général de brigade E. C.), chef d'État-major général (1935–1938).

Avenol (J. L. A.), secrétaire général par intérim de la Société des Nations (1932–1933); secrétaire général (1933–1940).

Baldwin (S.), lord président du Conseil britannique (1931–1935); premier ministre (1935–1937).

Batterbee (sir H. F.), sous-secrétaire d'État adjoint au bureau des Dominions (1930–1938).

Beaudry (L.), conseiller au ministère des Affaires extérieures (1930–1935); sous-secrétaire d'État adjoint aux Affaires extérieures (1935–1947).

Bennett (R. B.), premier ministre, secrétaire d'État aux Affaires extérieures et président du Conseil privé (1930–1935); ministre des Finances (1930–1932).

Bessborough (comte de), gouverneur général (1931–1935).

Bruce (S. M.), ministre sans portefeuille d'Australie et ministre en Grande-Bretagne (1932–1933); haut commissaire en Grande-Bretagne (1933–1945).

Cahan (C. H.), secrétaire d'État (1930–1935).

Chamberlain (A. N.), chancelier de l'Échiquier britannique (1931–1937).

Chatterjee (sir A. C.), haut commissaire indien en Grande-Bretagne (1925–1931); membre du Conseil des Indes (1931–1936).

Alderdice, F. C., Prime Minister of Newfoundland, 1932-34

Amery, L. C. M. S., Dominions Secretary, 1925-29; M.P. without portfolio, 1929-40.

Armour, N., United States Minister in Canada, 1935-38.

Ashton, Major-General E. C., Chief of the General Staff, 1935-38.

Avenol, J. L. A., Acting Secretary-General, League of Nations, 1932-33; Secretary-General, 1933-40.

Baldwin, S., British Lord President of the Council, 1931-35; Prime Minister, 1935-37.

Batterbee, Sir H. F., Assistant Under-Secretary of State, Dominions Office, 1930-38.

Beaudry, L., Counsellor, Department of External Affairs, 1930-35; Assistant Under-Secretary of State for External Affairs, 1935-47.

Bennett, R. B., Prime Minister, Secretary of State for External Affairs, and President of Privy Council, 1930-35; and Minister of Finance, 1930-32.

Bessborough, Earl of, Governor General, 1931-35.

Bruce, S. M., Australian Minister without Portfolio and Minister in Britain, 1932-33; High Commissioner in Britain, 1933-45.

Cahan, C. H., Secretary of State, 1930-35.

Chamberlain, A. N., British Chancellor of the Exchequer, 1931-37.

Chatterjee, Sir A. C., Indian High Commissioner in Britain, 1925-31; Member of Council of India, 1931-36.

Chilton (sir H. G.), ambassadeur britannique au Chili, (1930–1933); en République d'Argentine (1933–1935) et en Espagne (1935–1938).

Clark (sir W. H.), haut commissaire britannique au Canada (1928–1934).

De Valéra (E.), président du Conseil exécutif de l'État Libre d'Irlande et ministre des Affaires extérieures (1932–1937).

Drummond (sir J. E.), secrétaire général de la Société des Nations (1919–1933).

Duff (sir L. P.), juge de la Cour suprême (1906–1933); juge en chef (1933–1944).

Dulanty (J. W.), haut commissaire irlandais en Grande-Bretagne (1930–1950).

Ferguson (G. H.), haut commissaire en Grande-Bretagne (1930–1935).

Floud (sir F.), haut commissaire britannique au Canada (1934–1938).

Forbes (G. W.), premier ministre de Nouvelle-Zélande et ministre des Affaires extérieures (1930–1935).

George V, Sa Majesté le Roi, (1910–1936).

Guthrie (H.), ministre de la Justice et procureur général (1930–1935).

Hankey (colonel sir M.), secrétaire du comité de la Défense impériale (1912–1938); secrétaire du Cabinet britannique (1919–1938); greffier du Conseil privé (1923–1938).

Havenga (N. C.), ministre des Finances de l'Afrique du Sud (1924–1939).

Herridge (major W. D.), ministre aux États-Unis (1931–1935).

Hickerson (J. D.), chef adjoint de la Direction des Affaires européennes au département d'État des États-Unis (1930–1944).

Hoover (H.), président des États-Unis (1929–1933).

Hose (W.), contre-amiral et chef de l'État-major naval (1920–1934).

Hull (C.), secrétaire d'État des États-Unis (1933–1944).

Kato (S.), ministre japonais au Canada (1935–1937).

Kellogg (F. B.), juge à la Cour permanente de Justice internationale (1930–1935).

King (W. L. M.), premier ministre et président du Conseil (1935–1948); secrétaire d'État aux Affaires extérieures (1935–1946).

Chilton, Sir H. G., British Ambassador in Chile, 1930-33; Ambassador in Argentine Republic, 1933-35; Ambassador in Spain, 1935-38.

Clark, Sir W. H., British High Commissioner in Canada, 1928-34.

De Valéra, E., President of the Executive Council and Minister for External Affairs of Irish Free State, 1932-37.

Drummond, Sir J. E., Secretary-General, League of Nations, 1919-33.

Duff, Sir L. P., Justice of the Supreme Court, 1906-33; Chief Justice, 1933-44.

Dulanty, J. W., Irish High Commissioner in Britain, 1930-50.

Ferguson, G. H., High Commissioner in Britain, 1930-35.

Floud, Sir F., British High Commissioner, in Canada, 1934-38.

Forbes, G. W., Prime Minister of New Zealand, Minister of External Affairs, 1930-35.

George V, His Majesty the King, 1910-36.

Guthrie, H., Minister of Justice and Attorney General, 1930-35.

Hankey, Colonel Sir M., Secretary, Committee of Imperial Defence, 1912-38; Secretary to the British Cabinet, 1919-38; Clerk of the Privy Council, 1923-38.

Havenga, N. C., South African Minister of Finance, 1924-39.

Herridge, Major W. D., Minister in United States, 1931-35.

Hickerson, J. D., Assistant Chief of Division of European Affairs, United States Department of State, 1930-44.

Hoover, H., United States President, 1929-33.

Hose, W., Rear Admiral, Chief of the Naval Staff, 1920-34.

Hull, C., United States Secretary of State, 1933-44.

Kato, S., Japanese Minister in Canada, 1935-37.

Kellogg, F. B., Judge of Permanent Court of International Justice, 1930-35.

King, W. L. M., Prime Minister and President of the Privy Council, 1935-48; Secretary of State for External Affairs, 1935-46.

LaFlèche (général de brigade L. R.), sous-ministre de la Défense nationale (1932–1940).

Lindsay (sir R.), ambassadeur britannique aux États-Unis (1930–1939).

MacDonald (J. R.), premier ministre britannique et premier Lord de la Trésorerie (1929–1935).

Macdonald (J. S.), deuxième secrétaire au ministère des Affaires extérieures (1929–1934); adjoint au conseiller canadien à la Société des Nations (1934–1935).

MacDonald (M.), sous-secrétaire parlementaire britannique, *Dominions Office* (1931–1935); secrétaire aux Colonies (1935); secrétaire aux Dominions (1935–1938).

McNaughton (général de brigade A. G. L.), chef d'État-major général (1929–1935).

MacNider (H.), ministre des États-Unis au Canada (1930–1932).

Manion (R. J.), ministre des Chemins de fer et des Canaux (1930–1935).

Marler (sir H. M.), ministre au Japon (1929–1936).

Massey (V.), haut commissaire en Grande-Bretagne (1935–1946).

Menzies (R. G.), procureur général d'Australie et ministre de l'Industrie (1934–1939).

Morgenthau (H.), secrétaire au Trésor des États-Unis (1934–1945).

Mulvey (R.), sous-secrétaire d'État (1909–1933).

Pearson (L. B.), premier secrétaire au ministère des Affaires extérieures (1928–1935); premier secrétaire au haut commissariat à Londres (1935–1938).

Perley (sir G.), ministre sans portefeuille (1930–1935).

Phillips (W.), sous-secrétaire d'État des États-Unis (1933–1936).

Read (J. E.), conseiller juridique au ministère des Affaires extérieures (1929–1946).

Riddell (W. A.), conseiller auprès de la Société des Nations (1925–1937).

Robbins (W. D.), ministre des États-Unis au Canada (1933–1935).

Rogers (J. G.), adjoint au secrétaire d'État des États-Unis (1931–1933).

Roosevelt (F. D.), président des États-Unis (1933–1945).

Roy (P.), ministre en France (1928–1938).

LaFlèche, Major-General L. R., Deputy Minister of National Defence, 1932-40.

Lindsay, Sir R., British Ambassador in United States, 1930-39.

MacDonald, J. R., British Prime Minister and First Lord of the Treasury, 1929-35.

Macdonald, J. S., Second Secretary, Department of External Affairs, 1929-34; Acting Canadian Advisory Officer, League of Nations, 1934-35.

MacDonald, M., British Parliamentary Under-Secretary, Dominions Office, 1931-35; Colonial Secretary, 1935, Dominions Secretary, 1935-38.

McNaughton, Major-General A. G. L., Chief of the General Staff, 1929-35.

MacNider, H., United States Minister in Canada, 1930-32.

Manion, R. J., Minister of Railways and Canals, 1930-35.

Marler, Sir H. M., Minister in Japan, 1929-36.

Massey, V., High Commissioner in Britain, 1935-46.

Menzies, R. G., Australian Attorney-General and Minister for Industry, 1934-39.

Morgenthau, H., United States Secretary of Treasury, 1934-45.

Mulvey, T., Under-Secretary of State, 1909-33.

Pearson, L. B., First Secretary, Department of External Affairs, 1928-35; First Secretary, Office of the High Commissioner in London, 1935-38.

Perley, Sir. G., Minister without Portfolio, 1930-35.

Phillips, W., United States Under-Secretary of State, 1933-36.

Read, J. E., Legal Adviser, Department of External Affairs, 1929-46.

Riddell, W. A., Canadian Advisory Officer, League of Nations, 1925-37.

Robbins, W. D., United States Minister in Canada, 1933-35.

Rogers, J. G., Assistant to United States Secretary of State, 1931-33.

Roosevelt, F. D., United States President, 1933-45.

Roy, P., Minister in France, 1928-38.

Runciman of Doxford (vicomte), président du *Board of Trade* britannique (1931–1937).

Simon (sir J.), secrétaire d'État britannique aux Affaires étrangères (1931–1935).

Skelton (O. D.), sous-secrétaire d'État aux Affaires extérieures (1925–1941).

Squires (sir R. A.), premier ministre et ministre de la Justice de Terre-Neuve (1928–1932).

Stevens (H. H.), ministre du Commerce (1930–1934).

Stimson (H. L.), secrétaire d'État des États-Unis (1929–1933).

Thomas (J. H.), secrétaire britannique aux Dominions (1930–1935); secrétaire aux Colonies (1935–1936).

Tokugawa (prince Iyemasa), ministre japonais au Canada (1929–1934).

Tweedsmuir of Elsfield (baron), gouverneur général (1935–1940).

Van Devanter (W.), juge-assesseur à la Cour suprême des États-Unis (1910–1937).

Vanier (lieutenant-colonel G. P.), secrétaire au haut commissariat en Grande-Bretagne (1931–1938).

Walker (W. H.), sous-secrétaire d'État adjoint aux Affaires extérieures (1912–1933).

Wrong (H. H.), conseiller à la légation à Washington (1930–1937).

Runciman of Doxford, Viscount, President of the British Board of Trade, 1931-37.

Simon, Sir J., British Foreign Secretary, 1931-35.

Skelton, O. D., Under-Secretary of State for External Affairs, 1925-41.

Squires, Sir R. A., Prime Minister and Minister of Justice of Newfoundland, 1928-32.

Stevens, H. H., Minister of Trade and Commerce, 1930-34.

Stimson, H. L., United States Secretary of State, 1929-33.

Thomas, J. H., British Dominions Secretary, 1930-35; Colonial Secretary, 1935-36.

Tokugawa, (Prince) Iyemasa, Japanese Minister in Canada, 1929-34.

Tweedsmuir of Elsfield, Baron, Governor General, 1935-40.

Van Devanter, W., Associate Justice, Supreme Court of the United States, 1910-37.

Vanier, Lieut.-Colonel G. P., Secretary, Office of the High Commissioner in London, 1931-38.

Walker, W. H., Assistant Under-Secretary of State for External Affairs, 1912-33.

Wrong, H. H., Counsellor, Legation in Washington, 1930-37.

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CONDUITE DES RELATIONS EXTÉRIEURES
CONDUCT OF EXTERNAL RELATIONS

Formalité pour désigner un gouverneur général; formalité pour la nomination de ministres; reconnaissance provisoire des consuls étrangers; représentation en Chine; coordination des activités officielles à Londres; position de l'État libre d'Irlande dans le Commonwealth; consul général de France au Canada; discussions des Premiers ministres avant la célébration du jubilé; échange proposé de hauts commissaires avec l'État libre d'Irlande et l'Australie.

Form of appointment of Governor General; form of notification of appointment of Ministers; provisional recognition of foreign Consuls; representation in China; co-ordination of official activities in London; status of Irish Free State in Commonwealth; Consul General of France in Canada; discussions among Prime Ministers prior to Jubilee celebration; proposed exchange of High Commissioners with Irish Free State and Australia.

1.

Le Premier ministre à Sa Majesté le Roi
Prime Minister to His Majesty the King

TELEGRAM [Ottawa,] February 7, 1931

The Prime Minister of the Dominion of Canada presents his humble duty to His Majesty the King. The Prime Minister humbly petitions His Majesty graciously to approve of the appointment of the Earl of B. as Governor-General of His Dominion of Canada. The Prime Minister remains His Majesty's most faithful and obedient servant.

RICHARD BEDFORD BENNETT

2.

Sa Majesté le Roi au Premier ministre
His Majesty the King to Prime Minister

TELEGRAM Sandringham, February 7, 1931

I approve of appointment of Earl of B. as Governor-General of Dominion of Canada.

GEORGE R.I.

3.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 21 Ottawa, February 24, 1931

IMMEDIATE. CONFIDENTIAL. Canadian Government considers that this would be an appropriate time to advise Government of United States of the revision which has been effected in the terms of notification of proposed appointment of a Minister Plenipotentiary in charge of Canadian affairs. We are therefore considering instructing the Canadian Chargé d'Affaires at Washington to inform the Secretary of State that His Majesty's Government in Canada, following consultation with His Majesty's Government in the United Kingdom, desires to refer to the note sent by His Majesty's Chargé d'Affaires at Washington on November 19th, 1926,[1] and to apprise the Secretary of State of the form which is now considered appropriate and which indicates the present scope of duties of the Canadian Minister and his relation to other representatives of His Majesty at Washington. The form in question would be that agreed upon in June, 1929. I should be glad to learn whether His Majesty's Government in the United Kingdom would see any objection to this procedure.

4.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 79 Ottawa, February 26, 1931

Sir,

I have the honour to inform you that His Majesty's Government in Canada has been giving consideration to the question of the revision of the documents

[1] Vol. 4, document 13.

[1] Vol. 4, Document 13.

connected with the office of Governor-General of this Dominion, in the light of the discussions of the recent Imperial Conference and of personal interchanges of opinion on the subject. As a result of this consideration, the Prime Minister of Canada has decided humbly to advise His Majesty with respect to certain changes in connection with the office and appointment of the Governor-General, and requests that the necessary steps be taken to convey this advice, as outlined hereunder, to His Majesty.

It would, in the first place, appear advisable that new Letters Patent and Instructions should be prepared, in order to bring these instruments more into accord with the present constitutional position.

In regard to Letters Patent, it is desired that the words,

> or by Our Order in Our Privy Council or by us through one of Our Principal Secretaries of State,

which appear in Section 1, paragraph 2, of the existing document, should be omitted.

In regard to the Instructions to the Governor-General, it is desired that the following changes should be made:

(1) That the words,

> or by Our Order in Our Privy Council or by us through one of Our Principal Secretaries of State,

which appear in the preamble to the existing instructions, should be omitted.

(2) That the words,

> in the form provided by an Act passed in the Session holden in the thirty-first and thirty-second years of the Reign of Her late Majesty Queen Victoria intitled 'An Act to Amend the Law relating to Promissory Oaths',

which appear in Section 1, Paragraph 2, of the present Instructions, were altered to read:

> in the form provided by Law.

(3) That in paragraph V of the Instructions the following words should be omitted,

> Provided always, that Our said Governor-General shall not in any case, except where the offence has been of a political nature, make it a condition of any pardon or remission of sentence that the offender shall be banished from or shall absent himself from Our said Dominion.

(4) That the words,

> or through one of Our Principal Secretaries of State,

which appear in Paragraph VI, should be altered to read:

> or through the Prime Minister of Our said Dominion.

The Commission of the Governor-General appears to require only formal changes, particularly in respect to the King's title, and the name and titles of the Governor-General.

In the second place, it is recommended that, pending further and more complete consideration of the question, the following procedure should be adopted in the signing and sealing of the documents in question:

In connection with the drawing up of any new Letters Patent that may be decided upon, it is desired, in order to facilitate matters, that such Letters

Patent should be passed under the Great Seal of the United Kingdom, now termed the Great Seal of the Realm, and that inasmuch as the statute prescribing the use of the above Great Seal requires that the Royal Warrant authorizing its application should be countersigned by the Lord Chancellor, or by one of His Majesty's Principal Secretaries of State, or by two of the Commissioners of His Majesty's Treasury, a preamble may be inserted in such Royal Warrant indicating that action is being taken, at the request and upon the responsibility of, the Prime Minister of Canada.

In connection with the preparation and sealing of any new Instructions which His Majesty may be pleased to have drawn up, no change in the existing procedure is now recommended.

In regard to the completion of the Commission of the Governor-General, it is recommended that, as in the case of the Commission recently issued to the Governor-General of South Africa, provision be made for countersignature by the Prime Minister of Canada, and it is suggested, in order to expedite matters, that the Commission be sent on beforehand to Canada, or, if that is not feasible, that it be brought by the Governor-General's Secretary.

I have etc.

R. B. BENNETT

5.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELERGAM 21 London, March 3, 1931

IMMEDIATE. CONFIDENTIAL. Your telegram 24th February, No. 21. We quite agree that present time would be appropriate for any action which may be considered desirable to clarify position as regards the Canadian Minister at Washington. In this connection His Majesty's Government in Canada may like to know that notification of the establishment of the Union of South Africa Legation made to the United States Government by His Majesty's Ambassador in July 1929 was in the revised form agreed between His Majesty's Governments in June 1929, with a view to describing the relations between His Majesty's several representatives of [at] a foreign Capital.

If His Majesty's Government in Canada decide that it would be desirable that a communication should be made to the United States Government on the lines described, we would propose to instruct His Majesty's Ambassador to concert with the Canadian Chargé d'Affaires with a view to appropriate steps being taken to explain to the United States Government that note communicated by the Canadian Chargé d'Affaires, which is similar to that addressed to them by His Majesty's Ambassador on the occasion of the establishment of the Union Legation, has the whole hearted concurrence of His Majesty's Government in the United Kingdom.

We should be grateful for further intimation of views of His Majesty's Government in Canada in order that we may take any appropriate action.

6.

Le sous-secrétaire d'État aux Affaires extérieures au chargé d'affaires aux États-Unis

Under-Secretary of State for External Affairs to Chargé d'Affaires in United States

Ottawa, March 5, 1931

My dear Mr. Wrong,

I am sending you herewith an official despatch regarding the terms in which notice is given of the appointment of the Canadian Minister.

You are familiar with the situation, and I do not think it is necessary to elaborate to any extent on the formal despatch. I assume that after consulting with the Ambassador you will hand to the State Department a copy in full of the revised statement incorporated in our despatch, with a verbal statement along the lines of the explanation in the despatch, and with an *aide-mémoire* if you consider it necessary. It is a little awkward introducing the revised form, which is designed for use in connection with the first appointment, but you might explain that a change was effected in 1929 after consultation with all His Majesty's Governments.

For the most part the new note largely conforms to established practice. You will, however, recall that when the Kellogg Pact was first under consideration, it was assumed by the Secretary of State and the British Ambassador that it was a matter which did not require consideration except by the Dominion Ministers. This assumption was doubtless based on the wording of the old note.

Yours sincerely,

O. D. SKELTON

[PIÈCE JOINTE / ENCLOSURE]

Le secrétaire d'État aux Affaires extérieures au chargé d'affaires aux États-Unis

Secretary of State for External Affairs to Chargé d'Affaires in United States

DESPATCH 69 Ottawa, March 5, 1931

Sir,

I desire you to bring to the attention of the Secretary of Staté of the United States a revision which has been effected in the terms in which notice is

given to the Government of the country to which it is proposed to appoint a Minister to take charge of Canadian affairs.

2. On November 19th, 1926, His Majesty's Chargé d'Affaires at Washington sent a note to the Secretary of State of the United States, of which I enclose a copy,[1] advising him that it was desired to appoint an Envoy Extraordinary and Minister Plenipotentiary to deal with matters at Washington relating to Canada, and indicating the basis of the appointment. You are instructed to inform the Secretary of State that, before the appointment of the Canadian Minister at Washington, His Majesty's Government in Canada, following consultation with His Majesty's Government in the United Kingdom, desires to apprise the Secretary of State of the form which it is now considered is appropriate, and which indicates the present scope of the duties of the Canadian Minister and his relation to the other representatives of His Majesty at Washington. The revised statement now in use is appended:

> At the instance of His Majesty's Government in Canada and under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, I have the honour to inform you that His Majesty's Government in Canada have come to the conclusion that it is desirable that the handling of matters at (name of foreign capital) relating to Canada should be confided to an Envoy Extraordinary and Minister Plenipotentiary accredited to (name of foreign country) Government.
>
> Such a Minister would be accredited by His Majesty The King to (name of head of foreign State) and he would be furnished with credentials which would enable him to take charge of all affairs relating to Canada. He would be the ordinary channel of communication with (name of foreign country) Government on those matters. The arrangement proposed would not denote any departure from the principle of diplomatic unity of the Empire, that is to say, the principle of consultative co-operation among all His Majesty's representatives as among His Majesty's Governments themselves in matters of common concern. The method of dealing with matters which may arise concerning more than one of His Majesty's Governments would therefore be settled by consultation between representatives of His Majesty's Governments concerned.
>
> In proposing the establishment of a Canadian Legation, His Majesty's Government in Canada trust that it will promote the maintenance and development of cordial relations not only between (name of foreign country) and Canada, but also between (name of foreign country) and the whole of the British Commonwealth of Nations.

3. Before communicating with the Secretary of State, you should discuss the question with His Majesty's Ambassador, in Washington, who is being instructed by His Majesty's Government in the United Kingdom to take concurrent action on the lines indicated in the enclosed telegram from the Secretary of State for Dominion Affairs, No. 21 of the 3rd March, 1931.

I have etc.

R. B. BENNETT

[1] Vol. 4, document 13.

[1] Vol. 4, Document 13.

7.

Le chargé d'affaires aux États-Unis au sous-secrétaire d'État aux Affaires extérieures

Chargé d'Affaires in United States to Under-Secretary of State for External Affairs

My dear Dr. Skelton, Washington, March 9, 1931

I have received your letter of March 5th in connection with the Department's Despatch No. 69 of the same date concerning the terms in which notice is given of the appointment of a Canadian Minister. I have spoken to Sir Ronald Lindsay, who will be glad to co-operate in an approach to the Secretary of State. He has not as yet received any instructions from the Foreign Office, and I suppose that these may not arrive until "further intimation of the views of His Majesty's Government in Canada", referred to in the Dominions Office telegram of March 3rd, has been received in London.

As to the procedure which should be followed in bringing the alterations to the attention of the Secretary of State, since our real purpose is to place on official record with the Government of the United States a revised definition of the relationship of the Canadian Minister and the British Ambassador, I am inclined to think that it would be advisable to incorporate the new form in an official note, which might read something as follows:

> I have the honour to refer to the note dated November 19th, 1926, in which Mr. H. G. Chilton informed the Honourable Frank B. Kellogg that it was desired to appoint an E.E. & M.P. at Washington to deal with matters relating to Canada, and indicated the basis of the appointment.
>
> I have now been instructed by the Secretary of State for External Affairs of Canada to bring to your attention a revision which has been effected in the terms in which notice is given to the Government of a country wherein it is desired to appoint a Minister to take charge of Canadian affairs. After consultation with all His Majesty's Governments, a form was agreed upon in 1929, which is now considered appropriate, and which indicates the present scope of the duties of the Canadian Minister to the United States and his relation to the other representatives of His Majesty at Washington. This form reads as follows: (here insert new form).

This note would, of course, be accompanied by a verbal explanation. I think it a more satisfactory method of notification than an *Aide Mémoire*, which is the form that you suggest. An *Aide Mémoire* also presents some difficult points of draftsmanship, which are avoided in a note. We frequently refer in notes to the State Department to correspondence between the Embassy and the State Department before the Legation was established, so that there is nothing really unusual in the beginning of my draft.

The Foreign Office may have views, however, on the best method of bringing the matter up, and I have no doubt that Sir Ronald and I can agree on an effective procedure.

Yours sincerely,

H. H. WRONG

8.

Le sous-secrétaire d'État aux Affaires extérieures au chargé d'affaires aux États-Unis

Under-Secretary of State for External Affairs to Chargé d'Affaires in United States

Ottawa, March 11, 1931

My dear Mr. Wrong,

I have your letter of March 9th regarding notification of the revision of the terms of appointment of the Canadian Minister.

The procedure which you suggest would be entirely satisfactory, and I have no doubt that Sir Ronald and yourself can work out a method.

We advised London last week that it had been arranged that you should take up the matter with the Secretary of State after a Conference with the British Ambassador so that I have no doubt that Sir Ronald will shortly have word from London.

Yours sincerely,

O. D. SKELTON

9.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

DESPATCH 202 Downing Street, March 26, 1931

Sir,

With reference to your despatch No. 79 of the 26th of February, I have the honour to transmit copies of Letters Patent passed under the Great Seal of the Realm constituting the Office of Governor General of the Dominion of Canada, and of Instructions passed under the Royal Sign Manual and Signet to the Governor General of the Dominion of Canada.

2. These documents have been prepared in the form indicated in your despatch except that, as arranged through the High Commissioner in Canada for His Majesty's Government in the United Kingdom, the actual terms of the oath to be taken by a Governor General have been set out in clause 1

of the Instructions. The procedure adopted for the issue of the Letters Patent and Royal Instructions (including the form of the Warrant authorizing the passing of the Letters Patent under the Great Seal) was that indicated in your despatch.

3. In accordance with the arrangement made through the High Commissioner in Canada, the sealed original documents have been delivered to Lord Bessborough's Private Secretary for conveyance to Canada.

I have etc.

J. H. THOMAS

10.

Le chargé d'affaires aux États-Unis au secrétaire d'État des États-Unis
Chargé d'Affaires in United States to Secretary of State of United States

No. 51 [Washington,] March 27, 1931

Sir,

I have the honour to refer to the Note dated November 19th, 1926, in which Mr. H. G. Chilton informed the Honourable Frank B. Kellogg that it was desired to appoint an Envoy Extraordinary and Minister Plenipotentiary at Washington to deal with matters relating to Canada, and indicated the basis of the appointment. I have now been instructed to inform you that His Majesty's Government in Canada, after consultation with his Majesty's Government in the United Kingdom, desire to bring to your attention a revision which has been effected in the terms in which notice is given to the government of a country wherein it is desired to appoint a Minister to take charge of Canadian affairs. After consultation between all His Majesty's governments, a form was agreed upon in 1929, which is now considered appropriate. This form, the text of which is given below, indicates the present scope of the duties of the Canadian Minister to the United States and his relation to the other representatives of His Majesty at Washington.

> At the instance of His Majesty's Government in Canada and under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, I have the honour to inform you that His Majesty's Government in Canada have come to the conclusion that it is desirable that the handling of matters at (name of foreign capital) relating to Canada should be confided to an Envoy Extraordinary and Minister Plenipotentiary accredited to (name of foreign country) Government.
>
> Such a Minister would be accredited by His Majesty The King to (name of head of foreign State) and he would be furnished with credentials which would enable him to take charge of all affairs relating to Canada. He would be the ordinary channel of communication with (name of foreign country) Government on these matters. The arrangements proposed would not denote any departure from the principle of the diplomatic unity of the Empire, that is to say, the principle of consultative co-operation amongst all His Majesty's representatives as

amongst His Majesty's Governments themselves, in matters of common concern. The methods of dealing with matters which may arise concerning more than one of His Majesty's Governments would therefore be settled by consultation between the representatives of His Majesty's Governments concerned.

In proposing the establishment of a Canadian Legation, His Majesty's Government in Canada trust that it will promote the maintenance and development of cordial relations, not only between (name of foreign country) and Canada but also between (name of foreign country) and the whole British Commonwealth of Nations.

I have etc,

H. H. WRONG

11.

L'ambassadeur de Grande-Bretagne aux États-Unis au secrétaire d'État des États-Unis

British Ambassador in United States to Secretary of State of United States

No. 98 Washington, March 27, 1931

Sir,

I understand that Mr. Hume Wrong, Canadian Chargé d'Affaires, is today communicating to you a note in which he sets forth a form of words defining the present scope of the duties of the Canadian Minister to the United States and his relation to the other representatives of His Majesty in this capital. This form supersedes that communicated to your predecessor by Mr. Chilton in his note of November 19th, 1926.

Under instructions from His Majesty's Principal Secretary of State for Foreign Affairs I have the honour to inform you that the terms of Mr. Wrong's communication of today meet with the full concurrence of His Majesty's Government in the United Kingdom.

I have etc,

R. C. LINDSAY

12.

Le secrétaire d'État des États-Unis au chargé d'affaires aux États-Unis

Secretary of State of United States to Chargé d'Affaires in United States

Washington, April 2, 1931

Sir,

I have received your note of March twenty-seventh informing me of the revised scope of the duties of the Canadian Minister to the United States and his relations to the other representatives of His Majesty the King of

Great Britain at Washington, and thank you for the information contained in your communication, due note of which has been taken.

Accept etc.

JAMES GRAFTON ROGERS

for the Secretary of State

13.

Mémorandum du haut commissaire de Grande-Bretagne au ministère des Affaires extérieures

Memorandum from British High Commissioner to Department of External Affairs

Ottawa, April 17, 1931

In a telegram, number 13 of the 23rd of January, 1928, to the Dominions Office, the Canadian Government made proposals with a view to discontinuing the practice of provisionally recognising foreign consuls in cases where recognition was granted by the competent Minister after the candidate had been found unobjectionable.

In the reply from the Dominions Office (despatch number 100 of the 23rd March, 1928) it was agreed that the grant of provisional recognition should be discontinued, except only in cases where recognition is accorded as the result of a consular application made in advance of the usual request through diplomatic channels.

This procedure was concurred in by the Canadian Government in despatch number 156 of the 18th April, 1928.

The understanding on this and other points of procedure relating to consular appointments was subsequently confirmed in memoranda exchanged between this office and the Department of External Affairs in February, 1929.

In a letter of the 23rd December, 1930, from Mr. Hadow to Mr. Walker, attention was invited to certain instances in which there seemed to have been some departure from the procedure agreed upon, inasmuch as provisional recognition had been granted to consular officers for whom application had been made through the usual diplomatic channel.

It appears from Para. 2 (b) of Mr. Walker's reply of the 30th of December, 1930, that the Canadian Government contemplate a variation in the procedure agreed upon regarding provisional recognition, which, according to the understanding previously arrived at, would have been confined to those cases described in para. 2 (a) of this letter.

Following upon the correspondence of 1928 referred to above, His Majesty's Government in the United Kingdom had thought it desirable to attempt to establish a uniform procedure, in consultation with all of His Majesty's Governments, for provisional recognition on the lines which the

Canadian Government themselves had advocated in their telegram of the 23rd of February, 1928. This uniform procedure having been successfully established for some time by agreement with the other Governments of the Commonwealth, it is now desired to enquire whether the variation indicated in para. 2 (b) of Mr. Walker's letter might not with advantage be discontinued.

14.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 104 Ottawa, July 6, 1931

IMMEDIATE. CONFIDENTIAL. His Majesty's Government in Canada have concluded, particularly in view of the necessity of developing new trade outlets in China, that it is advisable to establish a Legation in China and to extend the trade commissioner service in close co-operation with the Legation. It is proposed that the Canadian Minister in Japan should also be appointed as Minister in China spending some months each year in China with the Legation under a Chargé d'Affaires during the rest of the year. Such a joint arrangement was discussed informally with Baron Shidehara and Dr. Wang, and each of them stated that such an arrangement would be wholly satisfactory to his Government. It is not proposed to establish the Legation for some months, but as the necessary appropriation must be included in the Supplementary Estimates to be brought down within the next fortnight, an early decision is desirable. His Majesty's Government in Canada, therefore, will be obliged if steps can be taken to obtain His Majesty's approval of their recommendation for the establishment of a Canadian Legation in China.

15.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 106 Ottawa, July 7, 1931

IMMEDIATE. CONFIDENTIAL. Our telegram No. 104 July 6th regarding establishment of Legation in China. Please take no action until further advised.

16.

Le sous-secrétaire d'État aux Affaires extérieures
au haut commissariat de Grande-Bretagne

Under-Secretary of State for External Affairs
to Office of British High Commissioner

Ottawa, July 16, 1931

My dear Mr. Liesching,

I have your note stating that no reply has been returned to the memorandum of the 17th April last, regarding the provisional recognition of Consuls.

I enclose memorandum, herewith, setting forth the view of the Department of External Affairs, that there appears to be no effective reason why the practice which has been adopted hitherto should not be maintained.

Yours sincerely,

O. D. SKELTON

[PIÈCE JOINTE/ENCLOSURE]

Mémorandum

Memorandum

[n. d.]

It is regretted that it is not possible to accept the memorandum from the British High Commissioner's Office of the 17th April as correctly representing the intention or effect of the correspondence to which it refers, exchanged between this Government and the Government of the United Kingdom in regard to the procedure in the recognition of Consuls, or to agree in the view which seems to be suggested that this exchange was of the nature of negotiations to reach a binding agreement. It was not considered on the Canadian side that the detail of administrative practice involved was an appropriate matter to be dealt with on such a footing; and there was no intention that the discretion of the Canadian Government in deciding its procedure should be made subject to restriction.

The views put forward in the case of Mr. Baschlin in the telegram of the 23rd January, 1928, had reference to the suggestion of the Dominions Office in its telegram of the 18th January that provisional recognition should be given him, although the delivery of the King's Exequatur was to be made and there was no indication that a prior recognition was desired by the Swiss authorities. In taking exception to such a course the Canadian Government made no proposal as is suggested in the memorandum to discontinue any practice *at that time* in use; though it is admitted that during the period when the recognition of Consuls had been made by the Governor General on the instructions of the Secretary of State for Foreign Affairs, provisional recognition was generally prescribed in such cases. The terms of the telegram, how-

ever, show plainly that the *possibility* of provisional recognition was contemplated in exceptional cases when an exequatur was to be issued.

Approval of the Canadian view then put forward, that a routine provisional recognition was unnecessary, was expressed in the Dominions Office despatch of the 23rd March, No. 100, and views on other points of procedure were advanced on which Canadian observations were invited. In their reply the Canadian Government expressed concurrence in the view that where notification of appointment and request for recognition are informally made in contemplation of formal action to follow through the established channel of communication, it would be desirable that recognition should be made provisionally to be confirmed when such formal action is taken.

While it is not perceived that Canada has in any way departed from the principles governing her practice as then explained, it was not imagined that this interchange of views was considered to impose on either party anything in the nature of an obligation; and on this understanding a reply was made on the 22nd February to the High Commissioner's memorandum of the 19th of that month, in which a procedure approved by the Foreign Office had been outlined, that this procedure seemed to be unobjectionable and was "*in the main*" that observed in this Department.

When Mr. Hadow's letter of the 23rd December last appeared to show that the practice followed here was for some unexplained reason considered objectionable by the Foreign Office, Mr. Walker's letter referred to was written to give a full explanation of the practice of the Department, which, except in extremely rare cases was shown to be evidently identical with that of the Foreign Office. The slight variance existing was justified in that letter by reasons which were regarded as sufficient; and it is to be noted that the present communication from the High Commissioner's Office does not discuss those reasons nor indicate any practical objection to the present Canadian course of procedure. Neither the advantages of the precise uniformity which is thought to be a desideratum, nor the disadvantages of the plan followed in this Department are made apparent, and there would, therefore, seem to be no reason why the practice which has been adopted here should not be maintained.

17.

Le haut commissariat au sous-secrétaire d'État aux Affaires extérieures

Office of High Commissioner to Under-Secretary of State for External Affairs

CONFIDENTIAL London, August 21, 1931

Dear Dr. Skelton,

Before leaving for Canada Mr. Ferguson suggested that I write to External Affairs in respect of the present organization of Canadian Government

activities in London: the suggestion followed a conversation I had with the High Commissioner, during which this matter was discussed. I know you would wish me to be frank and brief.

The following Canadian Government Departments are represented in London, and are not subject to the control of the High Commissioner; they receive instructions direct from their Departments.

(*a*) Immigration. Director: Mr. W. R. Little.
Canadian Official Press Bureau: Mr. J. Spence.
Medical Services: Dr. H. B. Jeffs.

(*b*) Trade & Commerce. Chief Trade Commissioner: Mr. Harrison Watson.
Canadian Government Exhibition Commissioner: Mr. R. O. Turcotte.
Canadian Trade Publicity Dept.: Mr. D. G. Gerahty.
Fruit Trade Commissioner: Mr. J. Forsyth Smith.

(*c*) Agriculture. Mr. W. A. Wilson.

(*d*) Soldiers Civil Re-Establishment. Major C. G. Arthur.

(*e*) National Revenue. Investigator of Values. Mr. R. A. Burdett.

(*f*) Public Archives. Dr. H. P. Biggar.

(*g*) National Defence. Canadian Liaison Officer. Squadron-Leader R. S. Grandy.

For the purpose of this preliminary survey, it will be sufficient to touch on the work of the first three Departments, ((*a*), (*b*) and (*c*)); the work of the remaining four ((*d*), (*e*), (*f*) and (*g*)) Departments is technical, or so purely Departmental that to discuss their work now would only confuse the principal issue.

Before proceeding further, I think it might be well to say that in this letter I am not at any time referring to the legal status of the High Commissioner, as defined or explained in the original correspondence (1880), between the Canadian and British Governments, and in the Act creating the High Commissionership (S.C. Vict. 43, Vol. I, c. 12.) and in the following Orders in Council, the first dated 14th March, 1892, P.C. 856, dated 21st March, 1921, and P.C. 330, dated 10th February, 1922, or in the statements made in the House of Commons by the Rt. Hon. Mackenzie King on the 31st January, 1928, (Hansard Session 1928, Vol. I. p. 58) and by the Rt. Hon. R. B. Bennett on the 20th September, 1930 (Hansard Special Session 1930, p. 491); I am considering the situation as it actually exists and as it is referred to in a memorandum prepared by Sir George Perley in January, 1922, an extract of which is attached as Appendix I.[1]

At the present time the High Commissioner has not the direct supervision and co-ordination in London of all Canadian Government activities and notably in such important matters as Trade and Commerce, Immigration, Agriculture and Publicity. As a matter of courtesy he is often consulted by

[1] Non reproduit. [1] Not printed.

heads of Departments in London, but *in fact* he possesses no authority whatever over them. His opinion is not sought always in regard to matters affecting departmental policy in Great Britain; it is conceivable, therefore, that some action might be taken by a Department acting independently which might conflict with the realisation of a general policy which the High Commissioner might be pursuing in negotiations either with Government departments here or with commercial or trade organisations.

In the matter of publicity—which is vital to the interests and to the future development of Canada—there is no co-ordination under the High Commissioner. Instead of one common source of publicity there are two—working independently—neither of which is directly subject to the High Commissioner. There is a Canadian Trade Publicity Department, which is under the Department of Trade & Commerce, and there is a Canadian Official Press Bureau, which is mainly under the Department of Immigration, but to some extent is also under the Department of Trade & Commerce. There is bound to be a great deal of overlapping between these services. It is not necessary to labour the point; with the above unbusinesslike method of dealing with publicity, the Canadian Government cannot expect adequate, efficient, and non-duplicating publicity. In fact the High Commissioner has under him no department of publicity whatever, except a service of short news bulletins issued by the staff of Canada House. If he wishes to have publicity work done, he must have recourse either to Mr. J. Spence, of the Canadian Official Press Bureau (Department of Immigration and Department of Trade and Commerce), or to Mr. D. G. Gerahty, of the Canadian Trade Publicity Department, (Department of Trade and Commerce).

Since my appointment to the post of Secretary of the High Commissioner's Office, I have given much thought to the existing organization, and in my humble opinion there is only one solution to the state of uncertainty in authority and of dispersion in forces which exists—the co-ordination under the High Commissioner of all Canadian Government activities in Great Britain. No organisation can be a success without a head. It is very much as if a large business enterprise with an important branch in a distant city, allowed each department in that particular branch to deal direct with the corresponding department (such as advertising, sales, etc.) of the head office, without going through the General Manager of the Branch. At the present time there is no General Manager in London.

What valid objection can there be to co-ordination under the High Commissioner? The fact that the High Commissioner would have control over all Canadian Government activities, does not mean that he would shape the policy of each Department, but it does mean that, with the knowledge of men and of events which he has acquired in London, the heart of the Commonwealth, he would be in a position to collaborate in the shaping of departmental and general policies which would be in conformity with the requirements of Canada and of the United Kingdom. It means that there would be only one interpreter in Great Britain of all Canadian policy, whether this policy deals with Immigration, Trade and Commerce, or with

any other phase of Canadian activity. It means that there would be no overlapping and that a Department would not act independently in a way which might interfere with a general policy being carried out by the High Commissioner. May I be allowed an analogy, drawn from military organisation? The Commander of a Division has under his orders infantry, artillery, medical services, etc. It does not mean that he shapes the policy of any of these Services; in fact he may not have a very great knowledge of artillery if he happens to be an infantry man, but he has the control of the various activities in order that they may be co-ordinated in such a way as to make of his organisation an efficient and non-duplicating one.

There is a last and not the least reason for advocating direct co-ordination under the High Commissioner; I do not think it is possible for the High Commissioner in London to have the prestige to which he is entitled if he is not the sole interpreter of all phases of Government policy.

Nothing in this letter is to be taken as a criticism of any person or persons; it is an objective appreciation of a situation without regard to persons. As a matter of fact my relations with the representatives of the various Departments have been extremely friendly, and at all times I have found these representatives most helpful, and not only willing but anxious to collaborate; I know that some of them would welcome active co-ordination under the authority of the High Commissioner. They would have then a spokesman in Great Britain with behind him the full authority of the Canadian Government and not of one Department. There are a few who even now recognize freely in their relations with the High Commissioner an authority which, in fact, the latter has not. It should not be difficult, therefore, to confer on the High Commissioner *de facto* authority to direct and to co-ordinate all Canadian Government activities in London or in the United Kingdom.

The Offices of High Commissioners of the Other Dominions

In order to know what was being done in the way of co-ordination under the High Commissioners of the other Dominions, I have made it a point to go to each one of the High Commissioners' offices to find out how matters stand there; *generally speaking in all cases there is complete co-ordination under the High Commissioner.*

A memorandum is attached as Appendix II[1] which goes into the details of the organisation of the different High Commissioners' offices in London.

I am sending a copy of this letter to the High Commissioner in Toronto.

Believe me etc.

GEORGE P. VANIER

[1] Non reproduit. [1] Not printed.

18.

Le Premier ministre au ministre du Commerce[1]
Prime Minister to Minister of Trade and Commerce[1]

Ottawa, October 7, 1931

My dear Colleague,

I enclose herewith a copy of the High Commissioner's Act, together with a copy of Order-in-Council P.C.330, passed on the 10th of February, 1922, defining the duties of the High Commissioner.[2]

In view of the terms of the Statute and of the provisions of the Order-in-Council passed thereon, may I urge upon you the desirability of advising your representative in London, at an early date, that the High Commissioner is the head of Canadian activities in Great Britain. Matters to be brought to the attention of the various departments should be directed to the High Commissioner's Office, so that they may be distributed as required. In my judgment, it will be quite in order for you to communicate direct with the High Commissioner in respect of any matter of public business not involving questions of policy, which should be properly communicated to him through the Secretary of State for External Affairs. Mr. Ferguson will complete the organization of his office in the light of the provisions of the Statute and Order-in-Council, and if you will communicate with your officials promptly, it is my firm conviction that it will make greatly for efficiency and will prevent the duplication of the activities of the various departments of our service in Great Britain.

Yours faithfully,

R. B. BENNETT

19.

Le ministre du Commerce au Premier ministre[3]
Minister of Trade and Commerce to Prime Minister[3]

PRIVATE Ottawa, October 9, 1931

My dear Mr. Prime Minister,

I have your letter of October 7 regarding the High Commissioner's position in London and the desirability of having communications going through to

[1] Des lettres semblables furent envoyées aux ministres de l'Agriculture, des Pensions et de l'Immigration.
[2] Non reproduits.
[3] Selon une note marginale, aucune réponse des autres ministres n'apparaissait au dossier du Premier ministre.

[1] Similar letters were sent to the Ministers of Agriculture, Pensions and Immigration.
[2] Not printed.
[3] A marginal note says no replies from other Ministers were on the Prime Minister's file.

him. I have already instructed my Department to act accordingly and your letter, together with the copy of the Act and the Order in Council attached thereto, will be placed in the hands of each of our officials in Great Britain, with definite instructions to follow out to the letter the instructions contained therein.

Yours faithfully,

H. H. STEVENS

20.

Le haut commissariat de Grande-Bretagne au ministère des Affaires extérieures

Office of British High Commissioner to Department of External Affairs

Aide-Mémoire

SITUATION IN IRISH FREE STATE

What His Majesty's Government particularly wish at present to avoid is any suggestion that the abolition of the oath of allegiance is in itself equivalent to repudiation of allegiance to the Crown—irrespective of whatever may be in Mr. De Valera's mind in raising the issue.

A statement on some such lines as the following would be most useful:

> Canada would regard as a matter of concern to all members of the Commonwealth any action which would involve violation of the treaty on the basis of which the Free State entered the Commonwealth. As Article 2 of the Treaty expressly declares the status of the Irish Free State to be that of Canada, the question is one of peculiar interest to the Dominion. The position which the Irish Free State now holds as a co-equal member of the British Commonwealth of Nations is one which confers upon the State great privileges and great opportunities, and it is the earnest hope of Canada that nothing may be done which would in any respect disturb the existing association of the Irish Free State with the other self-governing communities within the Commonwealth, or would impair the cooperation with them in the great purposes at which the Commonwealth aims—mutual assistance and support and the promotion of goodwill and peace among the nations of the world. Canada had hoped that the clearing away in 1926 and 1930 of the constitutional difficulties would have paved the way for the closer and more real cooperation in the economic sphere among the peoples of the Commonwealth which it is the purpose of the Ottawa Conference to secure. The Irish Free State as much as any other Dominion stands to attain the benefits which we all hope will accrue from that Conference, and it would be a disaster indeed if such an opportunity were to be cast aside.

Ottawa, March 29, 1932

21.

Le haut commissariat au sous-secrétaire d'État aux Affaires extérieures

Office of High Commissioner to Under-Secretary of State for External Affairs

London, April 4, 1932

Dear Dr. Skelton,

When I was talking to Sir Harry Batterbee last week, the situation in Ireland inevitably came up. I gather that the Dominions Office is most anxious about developments there, and is somewhat uncertain as to what should be done. Batterbee seemed to think that their best course would be to do nothing, but to leave the initiative in every case to the Irish Free State Government. He seemed to think that in so doing De Valera would get into such an impossible position as a result of his demands, that he would not only be quite without support or sympathy in Great Britain and the Dominions, but that he might also have trouble in his own country. Apparently, the British Government is quite sure of the impregnability of its case in respect of the Annuities and the Oath, and would be perfectly willing to have either or both arbitrated, were it not for the fact that there are obvious difficulties about arbitrating such a matter as the Oath, where it would be almost impossible to keep the Monarchy out of the discussion.

I heard Mr. Thomas's announcement on the subject in the House of Commons, and his demeanour was not unlike that which he adopted when he made his famous declaration to us at dinner in Geneva. I have almost come to believe that the secret of his somewhat astonishing activities of late is to be found in the fact that he loves to indulge in melodramatics.

I am enclosing a confidential copy[1] of some notes which Batterbee gave me, which he was preparing for his Minister on the subject of the Irish situation. You may be interested in seeing them.

Yours sincerely,

L. B. PEARSON

22.

Sir George Perley au Premier ministre

Sir George Perley to Prime Minister

TELEGRAM London, April 10, 1932

IMMEDIATE. CONFIDENTIAL. Attitude of new Irish Government causing much anxiety here and may lead to very awkward situation. Have been asked

[1] Non reproduite. [1] Not printed.

several times what we think about it but naturally have expressed no definite opinion. In view of Canada's well known loyalty and your own great interest in the British Commonwealth connection and development, you have probably considered whether advisable to make some public statement by way of open cablegram or otherwise as soon as correspondence is published which will probably be tomorrow Monday. Some such statement might be very helpful here and as other Dominions have done this, might Canada's silence be misunderstood.

We are just off for Geneva. Was sworn in yesterday Saturday at Windsor.

PERLEY

23.

Sir George Perley au Premier ministre
Sir George Perley to Prime Minister

TELEGRAM London, April 10, 1932

IMMEDIATE. SECRET. Message today sent after conversation with King yesterday who broached subject Himself and certainly takes same much to heart.

PERLEY

24.

Le sous-secrétaire d'État aux Affaires extérieures au conseiller à la Conférence du désarmement
Under-Secretary of State for External Affairs to Adviser at Disarmament Conference

Ottawa, April 26, 1932

My dear Pearson,

Many thanks for your letter of April 4th regarding your conversations with Batterbee as to the Irish Free State. We had already been supplied with a slightly revised edition of the document which you enclosed through the High Commissioner's Office here. The British Government has been not at all slow in presenting its case. Sir William supplied the Press Gallery with a very full statement of the British position both on the Oath and the Annuity. He was very anxious not to let the plan be seen, however, and carried this so far that some members of the Press Gallery did not know where it came from and accordingly informed the outside Press that a white paper had been issued by the Canadian Government as follows . . . .

The question, of course, has given us a good deal of concern here. The Prime Minister was asked by Sir William Clark to send a message to DeValera. Similar requests were made in all the other Dominion capitals and brought results. Mr. Bennett, however, did not feel inclined to accede. He is, of course, wholly out of sympathy with DeValera's position and anxious to see him brought to reason. He did not feel, however, that as the host to the forthcoming Conference he could well intervene in the present day, nor did he consider that any Dominion Government had any direct responsibility for the particular way in which the treaty bringing to an end the Seven Hundred year war between Great Britain and Ireland had been strained.

I am sorry DeValera brought up the subject, particularly at this time. Unfortunately he is one of those politicians who insist on trying to carry out their platform when they get into office. I do not know whether he proposed to substitute another Oath of Allegiance if he can abolish the preference. Clearly the Irish Free State cannot remain in the Commonwealth if citizens do not owe allegiance to the King. Possibly DeValera with his genius for hair splitting will make a distinction between owing allegiance and taking an oath of allegiance. There is, however, one strong point in this position which is not generally recognized, that is, that it is one thing for a people freely to take an oath and quite another to have an oath forced upon them. It is absolutely inconsistent with any idea of equality between several parts of the British Commonwealth for one part to attempt to dictate to Ireland what oath its representatives shall take—any more than that Ireland should dictate the oath British Members of Parliament should take. The attempt was an unfortunate hang-over of war mentality and historic arrogance. It was a pity Lloyd George would not have had a little more foresight and magnanimity in 1921—or in 1919—as to which other chickens are now coming home to roost. I hope the warriors on both sides of the Irish Channel will subside and give time and economic interest a chance to work their mellowing effect on DeValera.

Yours sincerely,

O. D. SKELTON

25.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM Ottawa, May 3, 1932

SECRET AND CONFIDENTIAL. Following for your Prime Minister. Begins. I am much perturbed by Irish situation and have given the problem anxious consideration. In matter of such moment I now feel that I should consult

with you direct in view of my special responsibility as prospective host at July Conference to which DeValera accepted the invitation outstanding when he became head of Free State Government. I shall be glad to know what you consider the Constitutional implication of the passage of Oath Bill through Free State Parliament as to right of Free State to continued membership in British Commonwealth. Is the view held by your Government that the abolition of the Oath of Allegiance severs connection with the Crown and consequently with other units of the Empire? Message ends.

26.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 39 London, May 6, 1932

IMPORTANT. SECRET. Following from the Acting Prime Minister. Begins. Your telegram to the Prime Minister as to the Irish situation. In our opinion neither passing of Bill nor the repudiation of a clause in the Treaty which its enactment, in our view, would involve, amounts in itself to severing of allegiance. We are advised that allegiance does not depend on swearing an Oath and refusing to swear is not therefore a repudiation of allegiance.

The above answers your question but you will understand, of course, how grave is view we take of the situation created and its possible consequences. Ends.

27.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 38 Ottawa, June 30, 1932

CONFIDENTIAL. Please send following note to French Government. [Begins.] I am instructed to bring to your notice an interview published in the *Montreal Star* of June 10, purporting to have been given by M. Edouard Carteron, Consul General of France in Canada, on his departure on leave. In this interview, which has since been given wide publicity in Canada, M. Carteron is reported to have stated (1) that all the difficulty in connection with the recent trade negotiations had been on the part of Canada and that France was quite ready to make an agreement; (2) that while Canada needed markets for her wheat, France could get all the wheat she needs just as easily from

the Argentine, and (3) that Canada, owing to the policy of Mr. Bennett, was killing her commerce and committing suicide. It will be agreed that comments such as quoted would be wholly incompatible with the friendly attitude which the Government of France has always manifested and with the practices and traditions of international intercourse. I am therefore to request that an inquiry might be instituted and the Canadian Government advised of the view taken by the Government of France. [Ends.]

28.

Le ministre en France au secrétaire d'État aux Affaires extérieures
Minister in France to Secretary of State for External Affairs

TELEGRAM 53 Paris, July 11, 1932

Your telegram June 30th No. 39. French Government inform us that Mr. Carteron denies having given any interview or having made statement referred to before any Press representatives. Text of note sent by next diplomatic bag.

29.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

DESPATCH 77 Ottawa, August 23, 1932

Sir,

I have the honour to acknowledge your despatch of July 12th, containing copies of a letter received from the French Ministry of Foreign Affairs regarding an article published in the *Montreal Star* reporting an interview given by Mr. Edouard Carteron, Consul-General of France in Canada.

I note that inquiry has been instituted and that Mr. Carteron has said that he did not give any interview to any newspaper and that he did not make to any representative of the Press the remarks attributed to him.

Since my previous communication further inquiries have been made here and a full and circumstantial account of the interview has been furnished by the reporter of the *Montreal Star* affirming the correctness of the statements attributed to Mr. Carteron and indicating that more extreme statements were made which were not published. The reporter states that he accosted Mr. Carteron on the *Ascania,* and began by saying that he represented the *Montreal Star,* and asking if Mr. Carteron could spare a few

minutes for an interview. Mr. Carteron replied that the *Star* had always been "very nice", but that he could not see the reporter at the moment, as he had to escort an elderly lady to the winter garden. A few minutes later the reporter met him in the winter garden, and put numerous questions as to the likelihood of Mr. Carteron's return, to which the Consul-General duly replied. Then followed inquiries as to the trade agreement situation, which elicited the reflections on the policy of the Canadian Government to which attention has already been called.

It does not appear from Mr. Léger's communication that Mr. Carteron denies making the statements quoted in the *Star,* but merely that he denies making the remarks to any representative of the press. It may therefore be concluded that Mr. Carteron did not realize that the man to whom he was speaking was the same one who had asked for an interview a few minutes earlier. This circumstance, however, does not lessen the gravity of the statements made in this public and emphatic manner.

I repeat, therefore, that the Government of Canada considers such statements wholly incompatible with the friendly attitude which the Government of France has always manifested and with the practices and traditions of international intercourse. I am confident therefore that it will be recognized by Mr. Carteron that the Government of Canada cannot consider the incident closed until he has expressed the regret which he must undoubtedly feel.

I have etc.

R. B. BENNETT

30.

Le ministre en France au secrétaire d'État aux Affaires extérieures
Minister in France to Secretary of State for External Affairs

DESPATCH 446 Paris, November 24, 1932

Sir,

With reference to your telegram No. 73 of the 15th Nov., 1932 on the subject of representations made on behalf of the Canadian Government to the French Government regarding the interview by Mr. Carteron published in the *Montreal Star,* I have the honour to inform you that after consulting with The Honourable, the Secretary of State, Mr. Cahan, I had a private conversation with Mr. Léger, a high official of the French Foreign Affairs and Director of Commercial and Political Relations. Mr. Léger suggested that I write to him a personal letter expressing the desire that Mr. Carteron

should not return to Canada. The attached letter was drafted accordingly and addressed to Mr. Léger with Mr. Cahan's approval.[1]

I hope that the step taken will be found satisfactory.

I have etc.

PHILIPPE ROY

31.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D. 13 London, May 2, 1934

CONFIDENTIAL. Following from Prime Minister for your Prime Minister. Begins. Personal and Confidential. As you know, the Twenty Fifth Anniversary of The King's accession to the throne falls in May next year and it is contemplated that suitable arrangements should be made for due celebration in London of this happy occasion. It would give us much satisfaction if it were possible for His Majesty's other Prime Ministers to be present in London to take part in celebration and I should be very glad to learn your views with regard to this suggestion. I have every reason to believe that idea commends itself to The King.

I ought to make it clear that we are not contemplating anything of character of a formal Imperial Conference but naturally advantage could be taken of the presence in London of other Prime Ministers to discuss personally and informally any questions of particular importance outstanding, especially as regards international situation. The opportunity could also be taken to discuss question of the most convenient date for holding the next Imperial Conference. Ends.

32.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D. 14 London, May 25, 1934

PERSONAL AND CONFIDENTIAL. My telegram of the 2nd May, Circular D. 13. Following from Prime Minister for your Prime Minister. Begins. Personal and Confidential. I have now received replies from all the other Prime

[1] Non reproduite. [1] Not printed.

Ministers to my message as to the celebration of the 25th Anniversary of His Majesty the King's Accession, and I am happy to say that the suggestions contained in it as to participation in celebration have been warmly welcomed. Prime Minister of Canada has observed that a lengthy absence during May is not ordinarily feasible owing to Parliament being then in Session. Prime Minister of New Zealand has intimated that owing to General Elections next year, exact date of which cannot yet be fixed, it is not possible at present to state definitely whether he will be able to be absent from the Dominion at that time. President of the Executive Council of the Irish Free State while expressing sincere rejoicing of Irish Free State Government that His Majesty has been spared to rule his people for almost a quarter of a century has stated that in existing conditions it will not be possible for them to send a representative.

It will probably be expected, when Parliament re-assembles on 29th May, that I should make some public announcement on the subject and I am telegraphing separately the terms of statement which I should propose to make. If you have any observations I should be grateful if you could let me know as soon as possible. I will telegraph later exact date when statement proposed to be made. Ends.

33.

Le ministre des Affaires extérieures d'Irlande au secrétaire d'État aux Affaires extérieures

Irish Minister for External Affairs to Secretary of State for External Affairs

DESPATCH 7 [Dublin,] June 19, 1934

Sir,

My colleagues and I have been considering for a long time the desirability of exchanging High Commissioners with Canada. The friendly relations existing between us and the need for establishing our trade exchanges on a more permanent basis are in themselves sufficient reason for taking this step, and I shall be very glad to hear from you soon whether your Government would view with favour the mutual appointment of High Commissioners to our respective capitals. On our side it would hardly be possible to complete the necessary arrangements before the early part of 1935, but I should endeavour to hasten these arrangements if you, on your side, could make the appointment at an earlier date.

I have etc.

EÁMON DE VALÉRA

34.

Le secrétaire d'État aux Affaires extérieures au ministre des Affaires extérieures d'Irlande

Secretary of State for External Affairs to Irish Minister for External Affairs

DESPATCH 5 Ottawa, July 10, 1934

Sir,

I have the honour to acknowledge your despatch No. 7 of the 19th June, 1934, regarding an exchange of High Commissioners between the Irish Free State and Canada. The despatch was received as the Prime Minister was about to leave for Western Canada on the termination of a lengthy session of Parliament. The majority of the other members of the Cabinet have also left Ottawa for other parts of the country. Upon their return the Prime Minister and his colleagues will have much pleasure in considering the matter, and will then communicate with you further.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

35.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D. 23 London, July 27, 1934

CONFIDENTIAL. PERSONAL. My telegram of the 19th June, Circular D.19. Following from the Lord President of the Council. Begins. Personal and Confidential. It is now proposed that announcement should be made here on Monday next with regard to celebration in this country of Twenty-Fifth Anniversary of the King's Accession. Full text of proposed announcement is being sent in separate telegram from the Secretary of State. Announcement will take the form of statement to be made by me in the House of Commons at about 3.30 p.m. London time, Monday, and we should be very grateful if any announcement which is being made in the Dominions could be made so far as possible simultaneously.

As will be seen from text of announcement, I am proposing to include statement in terms set out in Dominions Office telegram of the 25th May, Circular D.15, with the addition that invitation to take part in celebration

has been issued to the Prime Minister of South Rhodesia and accepted by him provided that he is able to leave Colony next year.

I should like to add that we hope the Dominion Prime Ministers attending the ceremonies of celebration will regard themselves and their wives as guests of the United Kingdom Government for the period covering celebration in London roughly from 4th May to the end of the month.

I might perhaps take the opportunity to say that we should contemplate proposed informal and personal discussions would naturally include consideration of important questions of defence arising out of international situation. Ends.

36.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 74 Ottawa, December 28, 1934

CONFIDENTIAL. Following from Prime Minister for Prime Minister. Begins. We have twice within recent months had enquiries from Mr. de Valera as to whether we would consider appointing High Commissioner to the Irish Free State and receiving Irish Free State High Commissioner here. Immediate commercial prospects would not warrant such an appointment, but it might be useful action as suitable Canadian could be of distinct service in encouraging cooperative Commonwealth policy. Would appreciate having your views. If such an exchange were to be made we would take up question of similar arrangement with Australia. Ends.

37.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 1 London, January 7, 1935

CONFIDENTIAL. Your telegram of the 28th December, No. 74. Following from Prime Minister for your Prime Minister. Begins. Am much interested in suggestion. We should certainly welcome an exchange of representatives between Canada and the Irish Free State. Though there is of course an Irish Free State High Commissioner in London conditions have not so far rendered opportune the appointment of a United Kingdom High Commissioner in Dublin. But considerations which have led to this position fortunately do not operate in the case of Canada.

We should be grateful if we could be kept fully informed of further developments in this matter as regards both Irish Free State and Australia.

As I expect you know, we have had a political representative at Canberra for some time, who is styled "Representative of His Majesty's Government in the United Kingdom", and whose status and pay are somewhat lower than those of a High Commissioner. Reasons for this lay in the urgent need for economies of 1931 when present appointment was made. Ends.

38.

Le Premier ministre au premier ministre d'Australie
Prime Minister to Prime Minister of Australia

TELEGRAM 2 Ottawa, January 11, 1935

We have been considering the possibility of exchange of High Commissioners between Commonwealth of Australia and Dominion of Canada. I believe such an arrangement would be of distinct advantage to both countries in effecting exchange of views and development of closer relations. I should be glad to learn whether such a proposal would commend itself to your Government. As we are at present framing Estimates for the current year I should particularly appreciate an early reply.

BENNETT

39.

Le premier ministre d'Australie au Premier ministre
Prime Minister of Australia to Prime Minister

TELEGRAM Canberra, February 13, 1935

Your telegram of the 11th January. Commonwealth Government fully appreciates desirableness of promoting closest relationships between our countries, but after careful consideration of proposal of your Government, has come to the conclusion that the present time is inopportune for exchange of High Commissioners.

40.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 10 London, February 21, 1935

SECRET. Following from Prime Minister for your Prime Minister. Begins. We understand that in connection with Silver Jubilee celebrations this year,

that the Prime Minister of the Union of South Africa will arrive in London on April 29th, that is, a week in advance of actual celebrations. The Prime Minister of the Commonwealth of Australia will already be here.

It seems to us that this being so it might be convenient if it were possible to begin informal talks (see my telegram of the 2nd May, 1934) in that week when time should not be so much occupied with engagements in connection with Jubilee, and we very much hope, therefore, that you will be able to arrange your visit to London so as to be here by April 29th. Ends.

41.

Le secrétaire d'État aux Affaires extérieures au ministre des Affaires extérieures d'Irlande

Secretary of State for External Affairs to Irish Minister for External Affairs

TELEGRAM 3 Ottawa, March 13, 1935

Following for Walshe from Skelton. Begins. Your telegram 6th March. Question received preliminary consideration but unusual pressure of sessional business followed by unexpectedly prolonged illness of Prime Minister has prevented definite reply. Hope it will be possible to keep matter open until Prime Minister's return to office. Ends.

42.

Le Premier ministre au secrétaire du Gouverneur général

Prime Minister to Secretary to Governor General

Ottawa, June 21, 1935

Dear Mr. Lascelles,

I am in receipt of your letters of May 28th and June 15th with reference to the Instruments of Appointment of Lord Tweedsmuir, the Governor-General designate.

In connection with the Commission, I feel that it should be prepared in the same manner as was adopted in the case of Lord Bessborough; that is, the Commission would be prepared in London, and after signature by His Majesty be sent to the Government here, with a view to counter-signature by the Prime Minister of Canada, and delivery to the Governor-General upon his arrival. An incidental change will have to be made to cause the new Commission to refer to the Letters Patent of 1931 and not, as is the case with Lord Bessborough's Commission, to the Letters Patent of 1905.

With respect to the Letters Patent, I agree that the change desired to provide for the contingency of the Governor-General visiting a neighbouring country might be made along the lines suggested by Sir Clive Wigram in his letter of May 31st enclosed in yours of June 15th; that is, by the issue of amending Letters Patent, which might be done before or after the arrival of the new Governor-General. It is assumed that this amendment would be formally issued in the same manner as the Letters Patent of 1931; that is, it would be made clear, in the Royal Warrant authorizing the use of the Great Seal for such amendment, that the action was being taken on the advice of, and under the responsibility of, His Majesty's Canadian ministers. The text of the amending Letters Patent, as forwarded by Sir Clive Wigram, would seem to be entirely satisfactory.

Yours faithfully,

R. B. BENNETT

CHAPITRE II / CHAPTER II

RELATIONS IMPÉRIALES
IMPERIAL RELATIONS

PARTIE 1 / PART 1

COOPÉRATION ÉCONOMIQUE IMPÉRIALE
IMPERIAL ECONOMIC CO-OPERATION

43.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM A. 8 — London, April 13, 1931

His Majesty's Government in the United Kingdom have had under consideration the recommendations of the Imperial Conference, 1930, with regard to Merchant Shipping, as set out in pages 25 and 26 of Summary of Proceedings (Cmd. 3717) and proposed agreement as to British Commonwealth Merchant Shipping which appears on page 32 of Summary. They are prepared to arrange for agreement in the form recommended by the Conference to be signed on behalf of the United Kingdom, and also on behalf of the Colonies and Dependencies, and they would be glad to learn whether His Majesty's and other Governments are also prepared to arrange for signature of the agreement on their behalf.

It appears to His Majesty's Government in the United Kingdom to be important that agreement should be signed so as to come into effect simultaneously with the coming into effect of proposed Statute of Westminster which it is contemplated in accordance with the recommendations of the Imperial Conference should come into operation on the 1st December. They would accordingly be glad to learn views of His Majesty's other Governments at an early date and also ascertain their opinion as to most suitable arrangement for signature of agreement.

44.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 86 Ottawa, June 5, 1931

IMMEDIATE. SECRET. Your telegram of the 1st June, No. 61, regarding Imperial Economic Conference. His Majesty's Government in South Africa have now informed us that they have no objection to postponement of Conference, but wish to make clear that owing to Parliamentary duties, it would be impossible to attend during any months other than August, September, October and November. Replies are expected from Newfoundland and Irish Free State before the end of the week.

Unless any alteration is desired, I propose to make the following statement in Parliament at three o'clock, Monday, 8th June, Ottawa time. Begins. In accordance with the Resolution of the Imperial Conference held at London in 1930, that the Economic Section of the Conference be adjourned to meet at Ottawa on a date within the next twelve months to be mutually agreed upon, in order to resume examination of the various means by which inter-Imperial trade may best be maintained and extended, the Canadian Government some time ago proposed that the Conference should meet at Ottawa in August of this year. This date was found generally acceptable. The Government of the Commonwealth of Australia have now informed us that in view of the uncertain political position in Australia, and considering at the same time the importance of the Conference and the desirability of full representation, they would therefore request postponement until next year. The Government of New Zealand had previously indicated that in view of the fact that its Parliament will be in session in August and of the possibility of General Elections towards the end of the year, it was unlikely that New Zealand could be represented by a Minister of the Crown at a Conference to be held in August or in fact before 1932. We have therefore brought this situation to the attention of His Majesty's Governments in the United Kingdom, the Union of South Africa, the Irish Free State and Newfoundland, as well as the Government of India, which had all previously indicated their readiness to attend in August. In reply they have agreed to accept the proposal that the Conference should be postponed until 1932. The Canadian Government concurs in this view. Message ends.

45.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 130 London, September 15, 1931

SECRET. Dulanty, High Commissioner for the Irish Free State, has just communicated to me in confidence a private talk which he had last night

with Thomas, Secretary of State for Dominion Affairs, which is of such importance that I asked for permission to cable you. [Begins.] Thomas told me that there was now no doubt whatsoever but that National Government would endeavour to introduce tariffs in the present Session of Parliament. He thought that there was a good chance of this being done but that if for any reason they were unable to carry tariff measures immediately there would be a General Election. If a General Election took place he thought that it would be in about five weeks time. I asked whether these tariffs would include foodstuffs. He said that they were exploring the possibility of industrial and agricultural tariffs and the present anticipation was that both classes of tariffs would be set up by the Government. I said that several speeches on both sides of the House which I had heard during the past few days assumed Baldwin would give his support in this Parliament to proposals only of an emergency character and that any contentious measures would have to come forward in a new Parliament when the three political parties had reverted to their normal basis. Thomas replied, that was certainly not present position, and he repeated his opinion that there was a good chance of both industrial and agricultural tariffs being introduced this year. He sent his Private Secretary and his Parliamentary Under-Secretary out of the room so that we could be alone for this conversation, and he emphasized several times during conversation the extremely confidential nature of the information he was giving me. [Ends.]

Dulanty asks that this communication be treated as private and that no official action be taken on it. As he has had several conversations with Mr. Ferguson on these matters he would be grateful if this message could be passed on to him.

VANIER

46.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 134 Ottawa, September 28, 1931

Your telegram No. 95 of 8th August, 1931 and preceding correspondence regarding Merchant Shipping Agreement. His Majesty's Government in Canada concur in view that Agreement should be signed so as to come into effect simultaneously with Statute of Westminster. They are prepared to arrange immediately for signature of Agreement. If signature effected immediately Minister of Marine now in England would act on behalf of His Majesty's Government in Canada, otherwise High Commissioner or Secretary High Commissioner's Office will act.

47.

Le secrétaire d'État aux Affaires extérieures
au Premier Ministre de Terre-Neuve

Secretary of State for External Affairs
to Prime Minister of Newfoundland

DESPATCH 12 Ottawa, October 15, 1931

Sir,

I have the honour to invite your attention to the Merchant Shipping Agreement, which, subject to certain reservations, received general approval at the Imperial Conference 1930.

By Telegram No. 134, dated the 28th September, 1931, addressed to The Right Honourable the Secretary of State for Dominion Affairs, it was intimated that His Majesty's Government in Canada concur in the view that the Agreement should be signed so as to come into effect simultaneously with the Statute of Westminster, and that they were prepared to arrange, immediately, for signature of the Agreement.

There is one matter to which I desire to invite your attention. Article 19 is as follows:

> No Government of any Part of the Commonwealth will cause a formal investigation to be held into a casualty occurring to a ship registered in another Part save at the request or with the consent of the Government of that Part in which the ship is registered.
>
> Provided that this restriction shall not apply when a casualty occurs on or near the coasts of a Part of the Commonwealth or whilst the ship is wholly engaged in the coasting trade of a Part of the Commonwealth.

You will observe that this article recognizes the right of any Part of the Commonwealth to cause formal investigations to be held into casualties occurring to ships registered in other parts whilst the ship concerned is wholly engaged in the coasting trade of the part of the Commonwealth in which the investigation is taking place. It was the view of the Canadian Government that Canadian Authorities should have jurisdiction over a vessel engaged in the coasting trade and suffering a shipping casualty in the course of such coasting trade, even though the vessel were not wholly engaged in the Canadian coasting trade. This point was taken before the Sub-Committee, which considered and approved the Agreement in question, at the Imperial Conference 1930. It is understood that the Canadian proposal which was 'to omit the word WHOLLY from the last line of the proviso, did not meet with the approval of the members of the Committee, because they were of the opinion that the words "wholly engaged in the coasting trade", applied to the voyage in the course of which a casualty occurred. In view of the opinion of the Committee, the Canadian representatives did not press further for the omission of the word "wholly" from the Article.

Accordingly, it is desired that your Government should understand that the Canadian Government will have this interpretation in mind, in event of the signature of the Agreement. The matter is of great importance, in view of the necessity of having some measure of control over vessels which are engaged in the coasting trade between other parts of Canada and the St. Lawrence ports, during the summer season. These vessels are frequently used for other trade during the winter months, and it is important that this fact should not prevent the exercise of jurisdiction by the Canadian Authorities during the part of the year in which they are engaged in purely Canadian business.

I am sending a despatch to the same effect to the Secretary of State for Dominion Affairs and to the Prime Ministers or Ministers for External Affairs of the other interested Governments which will be signatories of the Agreement.

I have etc.

[O. D. SKELTON]
for the Secretary of State
for External Affairs

48.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 180 London, October 26, 1931

CONFIDENTIAL. For Mr. Bennett. From news one gets this morning, Monday, from various sources that should be reliable, there is no doubt that National Government will be returned by a very substantial majority; in fact the feeling grows that majority may be an unusually large one.

It will be a most emphatic pronouncement that the British people want to see closer trade co-operation with the Dominions and Colonies. Many people fear, and personally I am inclined to sympathize with the view, that following the usual British temperament the subject may be allowed to drag and enthusiasm wane.

I think there is an unique opportunity for Canada to secure a good arrangement, and for you and your Government to get tremendous kudos if definite leadership is given to movement by Canada taking prompt action. The imperial spirit has been aroused in a way not witnessed since the war. Enthusiasm will be at its height immediately after the Elections. If you will permit a suggestion from me, I think the finest thing you could do, both from standpoint of country and your Government, would be to telegraph message expressing satisfaction on pronouncement in favour of Empire co-operation and urging that economic discussions be renewed at once. Australia, one learns from the press, is enthusiastic, New Zealand is anxious. Canada should maintain her leadership in movement. Why could a Conference not be

arranged for January? A month should bring about some concrete results that you could submit to Canadian Parliament at a Session immediately following Conference. This would keep Canada in forefront of movement, and I am sure would arouse enthusiasm and strengthen your position all over Canada. I have given a lot of thought to this matter and have watched closely the rising tide in this country during the past year and I may be only indicating conclusions that you have already reached, but I feel so strongly upon subject that I felt at least I should put my views before you.

FERGUSON

49.

Le Premier ministre au secrétaire aux Dominions
Prime Minister to Dominions Secretary

PARAPHRASE OF TELEGRAM Ottawa, October 29, 1931

PERSONAL AND CONFIDENTIAL. Following for your Prime Minister. Begins. A formal proposal is being sent to all the Governments represented at the last Imperial Conference that the adjourned Economic Conference meet at the earliest possible date at Ottawa. Empire Trade Agreements would, in my opinion, mean great forward step in restoration Empire and world conditions. I realize many urgent domestic problems awaiting your attention but would appreciate indication from you as to probable convenient date. Ends.

R. B. BENNETT

50.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 119 London, November 9, 1931

IMMEDIATE. CONFIDENTIAL. Following for your Prime Minister. Begins. Government here are anxious that Economic Conference at Ottawa should be preceded by full preliminary work and are putting necessary arrangements here in hand. As part of this preliminary work Prime Minister has decided that it would be advisable for me to make brief personal visit to the Dominions in advance of Conference in order to talk over various aspects of situation with respective Prime Ministers.

I hope and think that this plan will be helpful. The Prime Minister proposes to announce it in his Guildhall speech, but I wanted, of course, to give you earliest possible intimation. Will let you know later as to dates. I am sending similar message to the Prime Ministers of Australia, New Zealand and the Union of South Africa, and am also letting the Irish Free State and Newfoundland know.

51.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM A. 33 London, December 1, 1931

I am sorry to say that developments in the situation since my message of the 9th November have forced the Prime Minister and myself to the conclusion that prolonged absence from London would be extremely difficult at the moment. Consequently I have reluctantly had to give up the idea of an official visit to the Dominions in advance of Ottawa Conference.

The work of preparation, so far as we are concerned, continues, of course, to be pushed on.

52.

Le Haut commissaire au Premier ministre
High Commissioner to Prime Minister

London, December 10, 1931

Dear Mr. Bennett,

Yesterday I sent you a cablegram, copy of which is enclosed,[1] advising you that I would attend at the Dominions Office to-day and sign the Merchant Shipping Agreement.

We checked it carefully in the Office and found that it was exactly as agreed at the Conference. It was signed this morning by the Dominions' High Commissioners as well as by Mr. Thomas, on behalf of Great Britain.

In this connection I hope you will not mind my pointing out to you again one of the weak spots in the communications with this Office. With reference to the execution of this Agreement, the only information which I received regarding the signing of this very important document was of an indirect nature through the Dominions Office. They merely advised me that it had been agreed that the Minister of Marine if he were here would sign. If he had gone, the High Commissioner or the Secretary would sign for Canada, but there was no communication of any kind or instructions on our files.

I am quite sure that you will agree that this is scarcely in conformity with the understanding which we reached when I was in Ottawa last Autumn that instructions and information of a character of this kind would come direct to this Office and not merely through the medium of copies of what might be sent by External Affairs to the Dominions Office here.

[1] Non reproduite. [1] Not printed.

I am sure you will not mind my bringing this matter to your attention, as I am quite sure that you and I are in accord as to the practices that should prevail in such matters.

Yours sincerely,

G. H. FERGUSON

53.

Le sous-secrétaire d'État aux Affaires extérieures
à l'assistant sous-ministre de la Marine

Under-Secretary of State for External Affairs
to Assistant Deputy Minister of Marine

Ottawa, December 11, 1931

Dear Mr. Hawken,

With regard to your letter of the 24th April last, dealing with the Merchant Shipping Agreement, the whole matter was placed before the Prime Minister, but it was difficult for him to get the necessary time to make an examination of the question. It was not until the autumn, that it became possible to ascertain his views with regard to the matter.

You will recall that I discussed the matter with you, by telephone, late in September, or early in October, and that you then agreed that it would not be necessary to press any of the points, except the one relating to coastal trade. Accordingly, with a view to protecting our interest with regard to the holding of investigations into shipping casualties, in respect to ships engaged in the coasting trade, despatches were sent by the Prime Minister to all of the interested Governments. I am enclosing a copy of one of the despatches;[1] the others were to same effect.

In view of the fact that the Agreement is not a constitutional limitation upon the power of Parliament, it seems to be clear that the procedure followed with regard to this matter is adequate. We have put forward our interpretation of an agreement before signature. It seems to be quite clear that none of the other parties to the Agreement could question our future action upon the ground that it would not conform with a different interpretation of this Agreement. None of the interested Governments have questioned our view on this point. Accordingly, it seems clear that we are safe in this matter.

Referring, further, to your letter, I find that we did not send any formal reply, and further, that the copies of the despatches were not sent to you. I trust that this letter, and the copy of the despatch, will complete your records.

Yours sincerely,

[O. D. SKELTON]

[1] Non reproduite. [1] Not printed.

54.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 173 Ottawa, December 31, 1931

SECRET. Your telegram Circular A.35 December 10th regarding preparations for Imperial Economic Conference. We note suggestion that in order to facilitate survey of possibilities of increasing United Kingdom exports to Canada advance discussions should be carried on here through High Commissioner for United Kingdom on basis of material collected by your Government. We concur in the view that the procedure suggested would facilitate consideration of the major questions of principle later so far as this phase of contemplated trade arrangements is concerned. We have already initiated examination of this phase of the question as well as of the possibilities of expansion of Canadian exports in the United Kingdom and the other Dominions. Any such discussions will obviously be of a purely preliminary and tentative character and subject to consideration of reciprocal possibilities and to acceptance of general principles involved. If material is sent to British High Commissioner in Canada we shall take steps for discussion. We should be obliged also if copy of material could be supplied to Canadian High Commissioner in London in case it becomes necessary to take up the discussion of any point through that channel.

55.

Le Premier ministre au Haut commissaire
Prime Minister to High Commissioner

Ottawa, December 31, 1931

My dear Mr. Ferguson,

I am in receipt of your letter of the 10th December, regarding the signature of the Merchant Shipping Agreement.

I note your reference to the lack of definite instructions regarding signature, and have made enquiry as to the facts. The signature, you will recall, took place during my absence from Ottawa. The question of signature was discussed in the telegrams exchanged between the Secretary of State for Dominion Affairs and myself on the 8th August and 28th September respectively. In the latter telegram I stated that we were prepared to arrange for the signature of the Agreement, and that if it were effected immediately, the Minister of Marine, who was then in England, would act on behalf of the Canadian Government; otherwise the High Commissioner or the Secretary

of the High Commissioner's Office would act. Later we received a telegram of the 21st October from the Secretary of State for Dominion Affairs, stating that it was impracticable to make definite arrangements at present for signature. Later a telegram of the 7th December was received from the Secretary of State for Dominion Affairs, which read in part "Arrangements now being made for signature of Agreement on the 10th December in the form agreed to at Imperial Conference 1930". My Department was somewhat surprised that definite arrangements had been made for signature at such short notice without further communication, particularly as no reply had been received to the despatch of October 22nd regarding our interpretation of the provision in the Agreement as to coasting trade. Your telegram of the 9th December, however, stated that the High Commissioner would sign on the following day, indicating that arrangements had definitely been made, and referred also to a despatch then in the mails indicating that the British Government had taken note of the Canadian interpretation of the proviso in question. It was therefore considered unnecessary to take further action. I agree, however, that it would have been better, if only as a matter of record, a cable of formal authorization had been sent you in accordance with the usual practice of the Department in such matters.

Yours sincerely,

R. B. BENNETT

56.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 34 Ottawa, March 17, 1932

My telegram of February 9th, No. 22. Other Dominions and India having concurred in proposed arrangement for representation Southern Rhodesia at Imperial Economic Conference, Canadian Government would be grateful if steps could be taken to convey to Government of Southern Rhodesia our invitation to send representative who would attend Conference as an observer with liberty by permission of the Conference to speak at its full meetings and with a right to participate in the work of its Committees, and to ascertain if July 21st would be convenient date for opening of Conference.

Canadian Government would be grateful if steps could be taken to inform Government of Southern Rhodesia that we are looking forward to welcoming representatives attending the Conference as guests of His Majesty's Government in Canada. As it is desirable to make preliminary arrangements for hotel accommodation well in advance it would be helpful to know as soon as may be convenient approximate number of their delegates and staff.

57.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D. 9 London, May 9, 1932

SECRET. We have been considering carefully stage which has now been reached in preparation for tariff side of Ottawa Conference. It will be remembered that my telegram, Secret, Circular A.35, December 10th, outlined plan for discussions upon the possibility of increasing United Kingdom exports, based on material which was being despatched to representatives in the Dominions of His Majesty's Government in the United Kingdom. We are somewhat disappointed at the slowness of the progress made in these discussions.

Since that time situation has, so far as this country is concerned, been considerably altered by the passing of Import Duties Act, under which it is provided that neither general nor any additional duties imposed under the Act shall become operative as regards the Dominions before the 15th November. Chancellor of the Exchequer made announcement of our intention in this respect in the House of Commons on the 4th February, (i.e. that duties should not become operative in the case of the Dominions until the Ottawa Conference had been concluded); he added that after the Conference at Ottawa its results could be embodied, as regards the Dominions, in whatever modifications of duties might have been agreed upon.

His Majesty's Government in the United Kingdom desire that no misunderstanding should exist as to their position in this respect. Their view throughout has been that continuance of concessions within the framework of the Import Duties Act after the 15th November could not be justified to public opinion and affected interests here unless balanced by reciprocal concessions, and for this reason they have, through their representatives in the Dominions, pressed for views that in order to facilitate work of the Conference itself, interval before Conference opens should be used to secure full and searching exploration of the possibilities as regards reciprocal concessions. They are somewhat concerned that, though time is running short, there has so far been no real indication of the attitude of the Dominion Governments as regards concessions which latter might be prepared to give in return for continuance of concessions under Imports Act. They are most anxious that early indication should be forthcoming so that real progress may be made before Conference begins; furthermore, requests are being made to His Majesty's Government in the United Kingdom by some Dominion Governments for tariff concessions which go beyond the range of Imports Act. His Majesty's Government in the United Kingdom feel it ought to be made clear that, having regard to domestic interests of this country, concessions in respect of commodities now on the free list under Imports Act would be far more difficult than continu-

ance of concessions within the framework of the Act. Should His Majesty's Governments in the Dominions desire discussion of the possibilities as regards items now on the free list, His Majesty's Government in the United Kingdom would not desire to rule out any commodities on the grounds of principle, but they wish to make it plain that before concessions could be considered reciprocal concessions of outstanding importance would have to be offered in return by the Dominions, i.e. over and above those offered in return for continuance of concessions by the United Kingdom under Imports Act. Similar considerations would apply to any cases where increased duties on foreign goods (i.e. apart from any increases recommended under the Act by Imports Advisory Committee) might be desired by the Dominion Governments.

58.

Le secrétaire aux Dominions par intérim au secrétaire d'État aux Affaires extérieures

Acting Dominions Secretary to Secretary of State for External Affairs

DESPATCH 337 Downing Street, July 20, 1932

Sir,

I have the honour to invite the attention of His Majesty's Government, in Canada, to the provisions of Section 17 of the United Kingdom Finance Act, 1930, which empowers His Majesty's Government in the United Kingdom to enter into arrangements with the Government of any part of His Majesty's dominions for the reciprocal exemption from income tax in certain cases of profits or gains arising through an agency. A copy of the Section in question is enclosed for convenience of reference.

2. His Majesty's Government in the United Kingdom have recently concluded an agreement on these lines with the Swedish Government, of which a copy was enclosed in my despatch Circular C. No. 340 of the 9th September, 1931, and an arrangement is already in existence with the Irish Free State covering the whole field of Income Tax. His Majesty's Government in the United Kingdom are of the opinion that the conclusion between the United Kingdom and the several parts of the British Commonwealth of the arrangements described in this despatch would be of considerable benefit to traders, while involving little loss of revenue to the Governments concerned. I should accordingly be glad to learn whether His Majesty's Government in Canada would desire to conclude an agreement with His Majesty's Government in the United Kingdom on the lines of the enclosed draft.[1] His Majesty's Government in the United Kingdom recognize, however, that such an agreement would not be wide enough unless it were made to cover provincial

[1] Non reproduit. [1] Not printed.

taxation and to provide for this the enclosed draft would require some modification. If this view is accepted, they would be grateful for suggestions as to the alterations required to include provincial taxation within the scope of the agreement.

3. The attention of members of the Double Taxation Sub-Committee of the General Economic Committee of the Imperial Conference, 1930, was drawn to Section 17 of the United Kingdom Finance Act, 1930, at a meeting of that Sub-Committee held on the 11th November, 1930. A copy of an informal note of the discussion at that meeting is enclosed.[1]

4. Similar despatches are being sent to the Commonwealth of Australia, New Zealand, the Union of South Africa, Newfoundland, and Southern Rhodesia.

I have etc.

SANKEY

59.

Extraits des procès-verbaux de la Conférence économique impériale[2]
Extracts from Minutes of Imperial Economic Conference[2]

SECRET

Second Meeting July 21, 1932

. . .

Organization of Secretariat

2. The Conference approved the appointment of the following Secretariat:
Secretary to the Conference—O. D. Skelton;
Deputy Secretary—J. E. Read;
Administrative Secretary—H. J. Coghill;
together with one member from each delegation.

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Procedure

5. The question of committee organization was considered, and it was decided that it was desirable to adjourn in order to enable the heads of delegations to meet at 4 p.m. to deal with the questions of organization and procedure.

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[1] Non reproduite.

[2] Pour le Rapport de la Conférence, y compris les procès-verbaux des réunions plénières, les déclarations supplémentaires des délégations, les rapports des comités et les accords conclus, voir:

[1] Not printed.

[2] For the Report of the Conference, including the Minutes of the Plenary sessions, supplementary statements by delegations, reports of committees and text of agreements concluded, see:

Ollivier, M., *Colonial and Imperial Conferences*, Vol. III, Part II.

60.

Extraits des procès-verbaux des réunions des Chefs de délégations
Extracts from Minutes of Meetings of Heads of Delegations

SECRET

First Meeting July 21, 1932

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Appointment of Committees

2. The meeting considered the provisional agenda as circulated by the Canadian Government and agreed to set up the following Committees, each delegation to appoint to these committees one or more representatives as it thought fit:

(1) Committee on the Promotion of Trade within the Commonwealth.

This committee's function to include consideration of the question of the determination of the percentage of Empire content necessary to secure preferential tariff treatment (See agenda A-1 (d)).

(2) Committee on Customs Administration.

(3) Committee on Commercial Relations with Foreign Countries.

(4) Committee on Monetary and Financial Questions.

(5) Committee on Methods of Economic Co-operation.

Meeting of Committee No. 1

3. It was agreed that the Committee on the Promotion of Trade within the Commonwealth should hold its first meeting at 3 p.m. on Friday the 22nd of July.

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61.

Extraits des procès-verbaux des réunions des Chefs de délégations
Extracts from Minutes of Meetings of Heads of Delegations

SECRET

Second Meeting July 22, 1932

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Meetings of Heads of Delegations

5. It was decided that one secretary and no more than two advisers from each Delegation should attend meetings of Heads of Delegations.

Moving of Resolutions

6. THE CHAIRMAN [MR. BENNETT] said that he understood that some delegates wished to move certain resolutions at an early date. He suggested

that delegates might like an opportunity of studying the statements presented at the opening Session of the Conference on July 21 before presenting their resolutions; and it was agreed that the resolutions should be handed in at 10.30 a.m. on Monday, July 25.

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Meetings of Other Committees

10. THE CHAIRMAN suggested that the opening meetings of the Committees other than Committee No. 1 should not take place before Monday, July 25. This suggestion was agreed to.

Circulation of Memoranda

11. THE CHAIRMAN announced that he proposed to distribute through the Secretariat for the use of all Delegations certain memoranda and statistical statements which had been prepared for the use of the Canadian Delegation. He would be glad if other delegations with similar material would also arrange through the Secretariat for its circulation.

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62.

Extraits des procès-verbaux du Comité pour la promotion du commerce
Extracts from Minutes of Committee on Trade Promotion

SECRET

First Meeting July 22, 1932

Appointment of Chairman

1. MR. BENNETT proposed and MR. BRUCE seconded the appointment of Lord Hailsham as Chairman of the Committee. This was unanimously agreed and Lord Hailsham took the chair.

Conduct of Business

2. LORD HAILSHAM said that the first task of the Committee was to arrange its procedure, so that the business might be conducted as rapidly as possible.

Russia

3. MR. BENNETT raised the question of the competition of Russian produce with Dominion produce in the United Kingdom market, and after discussion it was agreed that a general discussion of this matter should take place at the next meeting of the committee to be held at 3 P.M. on Monday the 25th of July with a view to the subject afterwards being referred to a sub-committee. MR. BENNETT undertook to prepare a draft resolution as a basis of discussion.

Informal Group Meetings on Commodities

4. MR. BRUCE then raised the question of procedure in regard to tariff preference as between the Dominions and India on the one side and the United Kingdom on the other side. After a general discussion it was agreed that the Dominions interested in the sale of particular classes of produce in the United Kingdom market should first consult with each other with a view to formulating the proposals which they might wish to submit to the United Kingdom Delegation. It was stated that the main groups of commodities to be considered, and the Dominions interested, were:

(*a*) Dairy produce, including poultry and eggs.	Canada, Australia, New Zealand, South Africa, Irish Free State, Southern Rhodesia.
(*b*) Meat, including live cattle and pig products.	Canada, Australia, New Zealand, South Africa, Irish Free State, Southern Rhodesia.
(*c*) Fruit and vegetables.	Canada, Australia, New Zealand, South Africa, Southern Rhodesia.
(*d*) Cereals, including flour,	Canada, Australia, South Africa, India, Southern Rhodesia.
(*e*) Metals and minerals,	Canada, Australia, South Africa, New Zealand, Newfoundland, India, Southern Rhodesia.

It was agreed that the country most interested in each of these classes should provide a chairman . . . .

Discussions with the United Kingdom

5. Consideration was then given to the procedure for dealing with what the Dominions could offer to the United Kingdom in the matter of tariff treatment. It was agreed that discussions on this subject would proceed simultaneously with those referred to in paragraph 4 above.

At the suggestion of MR. BENNETT, it was agreed that a discussion on this subject as between Canada and the United Kingdom should take place in the evening of Monday the 25th of July.

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63.

Extraits des procès-verbaux des réunions des Chefs de délégations
Extracts from Minutes of Meetings of Heads of Delegations

SECRET

Third Meeting July 25, 1932

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Russia

2. In view of certain serious considerations which had been brought to his attention by the Delegations of the United Kingdom and India, THE

CHAIRMAN said that he had decided not to submit a resolution on Russia to Committee No. 1 when it met the same afternoon. He intended, however, to state his views so that a general discussion of the question should take place.

Introduction of General Resolutions

3. THE CHAIRMAN suggested that it might be well for the various Delegations to exchange ideas before any definite resolutions were submitted. Canada had entered the Conference with the idea that the United Kingdom was prepared to consider in principle the grant of tariff preferences to the natural products of the Dominions and India. He regarded the acceptance of this principle, together with reciprocal action by the Dominions, as the basis of the Conference.

MR. BALDWIN said that at the opening of the Conference the United Kingdom Delegation had thought it might be of value to submit certain resolutions with a view to their approval by the Conference and subsequent publication, but, on further consideration, he doubted whether the time was yet ripe for such resolutions. The United Kingdom Delegation had come to the Conference with a free hand; it should be remembered, however, that the ability of the United Kingdom to buy Dominion produce depended upon the prosperity of the United Kingdom, which, in turn, was bound up with the United Kingdom's trade in a great many directions. The United Kingdom for her part desired to know what help she could look for from the Dominions so that her consuming capacity and employment might be extended, and the country thus be enabled to buy more products from the Dominions.

MR. BRUCE expressed agreement that the purchasing power of the United Kingdom was of prime importance to Australia, and that tariff concessions would be of no use if the purchasing power suffered. The main business of the Conference was to restore and maintain purchasing power throughout the Empire.

MR. CHAMBERLAIN said that the United Kingdom had, in the past, been able to help forward the development of the Dominions by lending them money and this lending power was almost as important to the Empire as purchasing power. He felt it was of general interest to the Empire that the United Kingdom should be able to continue lending money for the development of the resources of the rest of the Empire.

. . .

THE CHAIRMAN said that he recognized the soundness of the position taken by Mr. Baldwin. From the Canadian point of view, the main purpose of the Conference was the attainment of a preferred position in the markets of the United Kingdom, which was to be balanced by reciprocal preferences for United Kingdom products in the markets of the Dominions. The present position was that on the 15th November the preferences granted by the United

Kingdom under the Import Duties Act would lapse unless special action was taken to continue them, and the Conference should face this issue, which could not be avoided.

MR. HAVENGA said that the Dominions had not been consulted about these temporary preferences and he thought that modifications of them, as well as extensions, would necessarily come before the Conference.

MR. BALDWIN agreed with Mr. Bennett. The object should be to work out an agreement based on the principle of reciprocal tariff preferences.

MR. BRUCE said that he fully appreciated the difference between the position of the United Kingdom and that of the Dominions. The Import Duties Act primarily marked the changed fiscal policy of the United Kingdom but it raised the whole question of tariff preferences throughout the Empire. Australia appreciated to the full the value of the facilities for raising money under the Colonial Stock Acts which the United Kingdom had supplied in the past, and also the protection which she received from the United Kingdom. Her need for markets, however, was so drastic that unless the Conference succeeded she might be forced to seek special outlets for her produce in foreign countries. He did not favour the discussion of general resolutions at this stage.

THE CHAIRMAN said that while no one's hands were bound by the terms of existing preferences, it must be remembered that November 15th was a most important date inasmuch as the existing situation would end then unless new arrangements were made. All parts of the Empire were now employing tariff preferences and the extension of their use was the general purpose of the Conference. He wished to revert to the importance of the Russian question although he was not tied as to the methods of dealing with it. He felt that no preferences could be really useful on a number of important Canadian products if means were not discovered to meet Russian competition, which had seriously affected the Canadian canned salmon and asbestos industries. Canada had put a duty of forty cents per ton on foreign anthracite coal but it had been discovered that only an embargo could stop the importation of Russian anthracite coal. He strongly felt that a thorough discussion of the Russian situation was essential before the Conference could come to conclusions on particular preferences.

MR HAVENGA said that similar consideration applied to other countries as well as Russia; for instance, the British market for footwear in South Africa had, in spite of the preferential tariff, been seriously prejudiced by competition from a certain foreign country.

THE CHAIRMAN said that the general question of unfair competition from countries with lower standards of living would fall within the competence of Committee No. 1.

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64.

Extraits des procès-verbaux du Comité pour la promotion du commerce
Extracts from Minutes of Committee on Trade Promotion

SECRET

Second Meeting July 25, 1932

Minutes of First Meeting

1. The Minutes of the First Meeting were approved, subject to minor amendments.

Commercial Relations with Russia

2. MR. BENNETT opened the discussion on the Russian situation. He felt that the business of Canada was being profoundly affected by Russian competition. Although he was refraining from moving a formal resolution, he desired a frank and free general discussion with a view to discovering some method of overcoming the difficulties. There were three aspects of the matter with which Canada was greatly concerned.

First, political propaganda in Canada was carried out through Russian agents with the avowed purpose of destroying the British Empire, and the funds for this were, to some extent, obtained by the sale of Russian produce to the United Kingdom.

Secondly, if preferential arrangements within the Empire were to succeed, it was essential to discover some method of safeguarding inter-Imperial trade against unfair competition from Russia. He referred to five methods which might be considered for this purpose: (1) customs duties, which could not be set high enough to be effective; (2) an embargo on trade with Russia, against which grave objections had been advanced; (3) quota or quantitative regulation of imports, which was a possible method but would require detailed examination; (4) bulk purchase by the State, which had been suggested at the Imperial Conference in 1930; (5) anti-dumping legislation, the effectiveness of which he doubted inasmuch as dumping duties were related to costs of production and under the Russian system these could not be ascertained. He drew attention to the fact that the United Kingdom in the year 1930-31 had purchased £32,000,000 worth of goods from Russia and had sold only £7,000,000 worth to Russia. He also referred to the effect of the Russian exports of wheat, canned salmon, lumber, asbestos and coal, and showed how Empire producers of these products had been adversely affected by these exports.

Thirdly, the labour conditions prevailing in Russia were tantamount to slavery. This consideration was primarily the cause of the action of the Canadian Government in imposing an embargo on the importation of Russian goods.

MR. BRUCE felt that the situation was serious. He agreed generally with the statements made by Mr. Bennett, but he thought that it was desirable also to consider this question from the point of view of the effect of Russian competition on attempts to raise the world price level of commodities. He felt that Russia might intend a deliberate attempt to prevent commodity prices from rising. If this policy were to succeed it would mean the end of our present civilization. He was of the opinion that Russian products might be divided into two classes: first, those such as timber and petroleum which were raw materials not requiring elaborate organization for production; these were the most serious items; secondly, primary products requiring more elaborate organization such as wheat or dairy products. He was doubtful as to how far it would be necessary to take action with regard to this class. He further suggested that each commodity required separate examination. He drew attention also to the fact that the Russian economic plan was creating a situation where some United Kingdom industries might be endangered. It was desirable to remember that in 1913 Russia took only £18,000,000 worth of goods from Great Britain of which £10,000,000 were manufactured. In the same year a similar amount was sold to New Zealand, which Dominion then had only 1,000,000 inhabitants. He would support any action to ensure that the Russian menace did not bring about disastrous results; but he wished to avoid any course savouring [of] panic, and he thought the whole subject should be examined by a Committee comprising representatives of Canada and the United Kingdom, seeing that these Delegations had the necessary staffs for the purpose.

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MR. CHAMBERLAIN said that he felt that Mr. Bennett's statement justified the view that this matter was of first rate importance. The Russian problem was entirely novel and it was difficult to know whether Russian policy was dictated by political or economic considerations. In any event, it was clear that the price of Russian products was not regulated by the cost of production. Hitherto opinion in England had been somewhat divided on this matter, some considering only the cheapness of Russian products, whilst the opinions of others were influenced by political factors. Today, however a new situation had arisen, as an endeavour was being made to formulate an Empire wide economic policy and such a policy might be jeopardized or destroyed by Russian irruption into the various markets. He pointed out that of the thirty-two million pounds worth of Russian imports into the United Kingdom, some thirteen millions were represented by raw materials and the remainder by manufactured or partially manufactured products; chiefly petroleum.

The United Kingdom could not agree that imperial economic policy should be liable to be upset by the act of an irresponsible seller. He agreed with Mr. Bruce that a rise in world prices was necessary; but this could not take place, nor could confidence be restored, if the market was liable to be broken by unfair competition. In these circumstances, he felt that the question required immediate and exhaustive examination, and the United Kingdom

Delegation would be glad to take part in a committee for this purpose. The United Kingdom desired that Imperial preferential machinery should be protected, but he did not think that it was desirable to endeavour to destroy Russian export trade. Apart from the fact that such a course could not succeed, he felt that any such endeavour might have most serious reactions; for instance, Russia owed more money to Germany than to the United Kingdom, and if they were unable to make payment to Germany this might be a cause of economic disaster not only in Germany and Europe, but in the whole world. In short, the United Kingdom recognized the dangers to which Mr. Bennett had referred but they did not wish to go further than was necessary.

MR. BENNETT said that the discussion showed that all were agreed that something must be done to deal with the Russian situation, but that the best line of policy had not yet been determined. He felt it would be desirable to carry out Mr. Bruce's suggestion of setting up a small sub-committee to deal with the question from the standpoint suggested by Mr. Chamberlain. He mentioned again that some Canadians felt that the United Kingdom was advancing money to the Russians which was employed to make the continuation of our economic system difficult.

After some discussion concerning the personnel of the sub-committee it was agreed that it should be selected from the Canadian and United Kingdom Delegations and that the membership of the sub-committee should be reported at the next meeting of the full committee.

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Press Communique

5. . . . . THE CHAIRMAN emphasized that it was important that it should not be indicated to the press that the question of commercial relations with Russia had been discussed by the Committee.

65.

Extraits des procès-verbaux du Comité pour la promotion du commerce
Extracts from Minutes of Committee on Trade Promotion

SECRET

Third Meeting July 26, 1932

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Leakage of Information

2. THE CHAIRMAN referred to certain accounts which had appeared in the morning newspapers of the proceedings of the Committee on July 25th. These accounts showed that confidential information had reached the press which could only have been obtained from some person attending the meeting of

the Committee, in spite of the warning given by the Chairman. He asked the Heads of Delegations to attempt to control the admission of personnel so that further leakage might be prevented.

DR. MANION said that his contact with representatives of the press confirmed the Chairman's opinion that someone with inside information regarding the Committee's proceedings had conveyed confidential information to the press.

Definition of Empire Content

3. MR. RUNCIMAN reminded the Committee that a valuable document (I.E.C. (32) T 3) had been circulated by the Canadian Delegation, summarizing the rules and regulations in force in the various parts of the Empire. This document showed that there was considerable variation in the different countries. In order that preferences might reach those whom they were intended to reach, and not confer advantages on foreign countries, it was very desirable that a proper definition of the Empire content needed to qualify goods for preference, should be reached. In the case of primary products, such as wheat, no difficulty arose, but when it came to manufactured goods the problem was far from simple and it was no easy task to arrive at uniformity of administration in the different countries. Hitherto, the United Kingdom had taken generally the figure of twenty-five per cent as the qualification, but it had been demonstrated that this figure was too low on some classes of goods, such as motor cars, typewriters and certain types of machinery, because it enabled goods which were really foreign and only assembled within the Empire to qualify for preference. The United Kingdom were inclined to favour the proposal to adhere generally to twenty-five per cent but to make exceptions in an upward direction where there was a clear case. An alternative proposal, to which the United Kingdom had no objection in principle, was to fix a general level of fifty per cent and make exceptions which would generally be downwards where enquiry might show that this was equitable; for instance, in regard to certain kinds of textiles, of paper and of leather.

He referred to the report on this subject which had just been issued by the Imperial Economic Committee (25th Report). This Report laid down certain general principles: (a) uniformity throughout the Empire as to the qualifications in respect to any particular commodity; (b) that the Empire content qualification should not be used as an instrument of protection; (c) that the Empire content qualification should be reckoned on the labour and materials of all Empire countries and not only of the country in which the final product was manufactured; (d) that Empire material and labour should be lumped together for the purpose of the calculation; (e) that the conditions should be as simple as possible in administration; and (f) that the conditions should be varied as rarely as possible and then only after consultation with the other countries concerned and notice given to the industries concerned.

The Imperial Economic Committee were inclined to favour a general rule of fifty percent. being imposed after an enquiry had first been instituted as to the exceptions which would be desirable if such a figure were adopted. He saw no objection in principle to the Committee's recommendation.

MR. STEVENS said that he was very favourably impressed by Mr. Runcimans' remarks. He recognized the great difficulties in the way of adopting a single standard. The Canadian Government felt strongly that in the case of natural products the requirement of virtually one hundred percent. should be accepted. They also felt that to secure preference, Empire goods should be finished within the Empire and not in a foreign country. He thought that it would be best if the technical details were worked out by the experts attached to the various Delegations.

Canada as an exporter had steadily endeavoured to increase the proportion of Canadian content in manufactured goods as much as possible, and had achieved substantial progress in the last few years. Statements were frequently made that a number of industries controlled by United States capital had been established in Canada for the primary purpose merely of the assembly of parts with the object of securing the advantage of preferential treatment. Such statements were erroneous.

Canada would welcome a general decision setting the qualification of Empire content at fifty percent; the Canadian Delegation would urge the adoption of this figure, possibly with certain exceptions arrived at by general agreement.

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THE CHAIRMAN said it seemed that all were agreed that the greatest possible measure of uniformity was desirable, and there was a general readiness to fall in with any arrangement which might commend itself to the majority of the Conference. He doubted whether the special inquiry suggested by the Imperial Economic Committee could be carried through at Ottawa. Possibly a sub-committee might be appointed to consider the recommendations of the Imperial Economic Committee and report what steps should be taken thereon.

After some discussion it was agreed that Mr. Runciman should summon a meeting of one Minister from each country (together with any officials required) to examine the Report of the Imperial Economic Committee. If technical questions then arose they could be referred either to Committee No. 2 on Customs Administration, or to a special sub-committee of experts.

Future Meetings

THE CHAIRMAN said that while there were a number of others matters for reference to the Committee, many of these were not yet ripe for discussion by the full Committee, and he inquired whether any member of the Committee thought further meetings should be held immediately.

MR. HAVENGA said that one important question which the Committee would need to consider at some stage was whether preferences granted by any Dominion to the United Kingdom should be applied automatically to other parts of the Empire.

MR. CAHAN said that he felt there must be a completely frank statement as to whether the policy of mutual preferences was accepted by all the Governments represented. The Canadian Government did not feel certain that the United Kingdom had accepted as a permanent policy the extension of preferences to the Dominions seeing that the preferences recently granted were provisional.

After discussion it was agreed that the next meeting of the Committee would be at the call of the Chairman. The Chairman suggested that any member of the Committee who desired a meeting should notify him or the Secretary to the Conference.

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66.

Extraits des procès-verbaux de la Conférence économique impériale
Extracts from Minutes of Imperial Economic Conference

SECRET

Third Meeting August 12, 1932

Adoption of Recommendations of Committee on Monetary and Financial Questions

1. THE CHAIRMAN said that the meeting of the Conference had been convened to consider the report of the Committee on Monetary and Financial Questions. At his request, MR. STEVENS read the statement submitted by the Committe for adoption by the Conference. The text of this statement is annexed hereto.[1]

On the motion of MR. STEVENS, seconded by MR. CHAMBERLAIN, it was agreed unanimously that the statement should be adopted by the Conference and should be made public immediately.

Publication of Opening Financial Statements

2. After discussion, it was agreed that the opening statements made to the Committee on Monetary and Financial Questions on July 28th and 29th on behalf of each Delegation should not be made public immediately, on the understanding that they would be published in the printed report of the Conference.

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[1] Pour le texte de la déclaration, voir: Ollivier, *op. cit.*, Vol. III, Part II, pp. 372-373.

[1] For the text of the statement, see: Ollivier, *op. cit.*, Vol. III, Part II, pp. 372-373.

67.

Extraits des procès-verbaux du Comité pour la promotion du commerce
Extracts from Minutes of Committee on Trade Promotion

SECRET

Fourth Meeting August 17, 1932

Agenda of Meeting

1. THE CHAIRMAN stated that since the Committee should present a report to the Conference by Saturday, August the 20th, it had been convened to discuss the matters on its agenda which still remained to be dealt with. The question of unfair competition from certain foreign countries, which had been referred to a small informal Sub-Committee, was not yet ready to be dealt with by the full Committee. The Sub-Committee to which the question of Empire Content had been referred had prepared a draft report. Many matters before the Committee were being dealt with in connection with the bilateral negotiations now in progress, and he presumed that the conclusion of trade agreements would be reported to the Committee and would form a part of the Committee's report to the Conference. He suggested that the Committee should proceed to examine the items on the provisional agenda which had been referred to it, as follows:

Examination of aspects of general trade and tariff policy and administration affecting Empire trade, including *inter alia,* the following subjects:

(*a*) Recognition of the principle of reciprocal tariff preferences within the Commonwealth;

(*b*) General application of existing and future tariff preferences within the Commonwealth;

(*c*) Extension to other parts of the Commonwealth of tariff advantages accorded foreign countries;

(*d*) Determination of percentage of "Empire Content" necessary to secure preferential tariff treatment;

(*e*) Export bounties and anti-dumping duties within the Commonwealth.

Determination of Empire Content

2. After discussion it was agreed that the report of the Sub-Committee on the determination of Empire Content—Item A. 1 (d) of the agenda—should be referred to a drafting Committee, composed of Messrs. Runciman, Guthrie and Gullett, for the preparation of a resolution to be submitted to the full Committee at its next meeting.

Recognition of Principle of Reciprocal Preferences

3. After discussion it was agreed that a Sub-Committee should be appointed composed of one Minister from each Delegation, to prepare

resolutions for consideration by the Committee on the question of the recognition of the principle of reciprocal tariff preferences within the Commonwealth. (Item A. 1 (a) of the agenda). Mr. Chamberlain undertook to convene this Sub-Committee, and there were also appointed to it Mr. Cahan (Canada), Mr. Bruce or Mr. Gullett (Australia), Mr. Coates or Mr. Stewart (New Zealand), Mr. Havenga (South Africa), Mr. Lemass (Irish Free State), Mr. Emerson (Newfoundland), Sir Atul Chatterjee or Mr. Chetty (India) and Mr. Moffatt (Southern Rhodesia).

General Application of Tariff Preferences

4. After discussion it was agreed that the Committee should not recommend to the Conference that any action be taken concerning the question of the general application of existing and future tariff preferences within the Commonwealth. (Item A.1. (a) of the agenda).

Extension of Concessions Accorded Foreign Countries

5. After discussion it was agreed that the Committee should not recommend to the Conference that any action be taken concerning the question of the extension to other parts of the Commonwealth of tariff advantages accorded foreign countries. (Item A.1. (c) of the agenda).

Export Bounties and Anti-Dumping Duties

6. It was agreed that the question of export bounties and anti-dumping duties within the Commonwealth—Item A.1 (e) of the Agenda—should be left for consideration at the next meeting of the Committee, when the report of the Committee on Customs Administration (which had dealt with the administrative aspects of some of these matters) would be available for the information of members of the Committee.

68.

Extraits des procès-verbaux de la Conférence économique impériale
Extracts from Minutes of Imperial Economic Conference

SECRET

Fourth Meeting August 17, 1932

Report of Committee on Customs Administration

1. The Report of the Committee on Customs Administration was read to the Conference, at the request of the Chairman, by MR. DOWNIE STEWART, the Chairman of the Committee.

THE CHAIRMAN explained the reasons which had led the Government of Canada to adopt, several years ago, certain of the provisions contained in Section 43 of the Canadian Customs Act, and to extend their application in 1930. He stated that without this Section of the Act it would have been impossible to maintain the national integrity of Canada during the last twelve months. He did not think that the report of the Sub-Committee which was adopted by, and included in, the report of the Committee on Customs Administration should be made public, inasmuch as it was virtually an indictment of this Canadian legislation which had been enacted for the strongest reasons of national policy. He referred in particular to the necessity of such measures of protection for the domestic producer against the seasonal importation, at ruinous prices, of garden produce and fruits from the United States. He pointed out also that the trade agreement between Canada and the West Indies which cost Canada about $1,000,000 a year in maintaining the steamship services, would be of no value unless West Indian fruits were protected by the provisions of Section 43.

After discussion it was agreed that the Conference should adopt the following statement included in the Report of the Committee on Customs Administration, and that the remainder of the Report should not be made public:

> The Committee on Customs Administration is of the opinion that the aims to be kept in view should be:
>
> 1. The avoidance of uncertainty as to the amount of duty which would be payable on the arrival of goods in the importing country;
>
> 2. The reduction of friction and delay to a minimum;
>
> 3. The provision of facilities for the expeditious and effective settlement of dispute[s] relating to all matters affecting the application of the Customs Tariff.
>
> It is also agreed that any measures which Customs Administrations may take to safeguard themselves against evasion should be consistent with these principles.

Report of Committee on Commercial Relations with Foreign Countries

2. The Report of the Committee on Commercial Relations with Foreign Countries was read to the Conference by MR. HAVENGA, the Chairman of the Committee. It was agreed unanimously to adopt the report without alteration.

Report of Committee on Methods of Economic Co-operation

3. The Report of the Committee on Methods of Economic Co-operation was read to the Conference by SIR ATUL CHATTERJEE, the Chairman of the Committee.

(*a*) Establishment of Investigating Committee

A discussion ensued concerning the following recommendation of the Committee to the Conference:

> This Conference, having discussed the question of economic Consultation and Co-operation within the Commonwealth, and having considered the annexed report prepared for it on the constitution and functions of existing agencies operating in these fields:
>
> Recommends that a committee should be appointed forthwith, consisting of not more than two representatives of each of the participating Governments, to consider the means of facilitating economic consultation and co-operation between the several Governments of the Commonwealth, including a survey of the functions, organization and financial bases of the agencies specified in the annexed report, and an examination of what alterations or modifications, if any, in the existing machinery for such co-operation within the Commonwealth are desirable.
>
> The Conference further recommends that it shall be an instruction to the Committee to elect their own Chairman from among their members and to report on the several Governments represented thereon not later than the 31st May next, with a view to the consideration of their report by the several Governments not later than September, 1933.

MR. THOMAS stated that, in order that the necessary time might be available for the preparation and consideration of the report of the Committee covering the existing and future machinery for economic co-operation within the Commonwealth, the Government of the United Kingdom would continue to furnish any funds which may be required to finance essential work of the Empire Marketing Board down to the end of September, 1933.

MR. BRUCE said that he wished to express his appreciation of the action of the United Kingdom in continuing the Empire Marketing Board in this manner.

THE CHAIRMAN suggested that there should be appended to this resolution a short statement regarding the temporary continuance of the Empire Marketing Board, which should express the appreciation of the Conference at the action taken by the Government of the United Kingdom. He added that it was the general understanding that the Government of Canada would be responsible for constituting the proposed Committee, which would meet in London in time to report by May 31, 1933.

It was agreed that SIR ATUL CHATTERJEE should prepare a brief statement concerning the Empire Marketing Board for inclusion in the Report of the Conference.

It was agreed to adopt the resolution set forth above, subject to the reservations made before the Committee by MR. HAVENGA on behalf of the Union of South Africa and by MR. LEMASS on behalf of the Irish Free State, as follows:

> MR. HAVENGA: While not wishing to object to the acceptance of the report of the Committee on Methods of Economic Co-operation, I desire, in order to remove any ground for misapprehension, to record the following reservations on behalf of the Union of South Africa.
>
> 1. While not generally adverse to the institution of *ad hoc* bodies for economic investigation and preparation, the Union Government will not associate

itself with any scheme for the erection of any organization in the nature of a permanent secretariat or preparatory committee to Commonwealth Conferences, whether economic or otherwise.

2. That portion of the report which introduces the draft resolutions relating to the appointment of a Committee to consider the means of facilitating economic consultation and co-operation, must not be read in the sense that the Union Government is committed in principle to give financial support to Commonwealth Economic Organizations.

MR. LEMASS: I do not object to the adoption of this report and the accompanying resolutions, but I wish it to be made perfectly clear in the published records of the Conference that the Government of the Irish Free State are not prepared to contemplate the setting up of an Imperial Economic Secretariat or of any similar organ of centralization.

(*b*) Industrial Standardization

It was agreed to adopt the resolutions on the subject of Industrial Standardization, which were recommended to the Conference by the Committee . . .

(*c*) Special Shipping Question

The Report of the Committee on Economic Co-operation on Special Shipping Questions was approved by the Conference, on the understanding that no reference should be made to it in the published proceedings of the Conference, or in any press communiqué.

(*d*) Grading and Standards of Agricultural Products

The Report of the Committee on Economic Co-operation on Grading and Standards of Agricultural Products was approved by the Conference.

(*e*) Industrial Co-operation

The Report of the Committee on Economic Co-operation on Industrial Co-operation was approved by the Conference . . .

(*f*) Films and Radio

The Report of the Committee on Economic Co-operation on Films and Radio was approved by the Conference and the following resolution was adopted:

> The Conference takes note of the suggestions contained in the Report upon Films and Radio submitted to it by the Committee on Methods of Economic Co-operation and commends them for the consideration of the Governments represented at the Conference.

THE CHAIRMAN expressed the appreciation of the Conference of SIR ATUL CHATTERJEE'S services as Chairman of the Committee on Economic Co-operation.

Report of the Conference

4. MR. LEMASS requested that the Secretariat should use great care in preparing the report of the proceedings of the Conference, in order to ensure that the expressions "British Commonwealth of Nations" and "British Empire" were correctly employed.

69.

Extraits des procès-verbaux du Comité pour la promotion du commerce
Extracts from Minutes of Committee on Trade Promotion

SECRET

Fifth Meeting August 19, 1932

Agenda of Meeting

1. THE CHAIRMAN stated that the meeting of the Committee had been called in the hope that it would be possible to determine the resolutions to be recommended to the Conference by the Committee. The Drafting Committee, under the chairmanship of Mr. Chamberlain, however, had not yet been able to reach a conclusion; and also it was understood that some of the bilateral trade agreements had not yet been initialled and could not, therefore, be reported to the Committee. It would be necessary for the Committee to meet again that evening.

It was agreed that the Committee should meet at 10 p.m. in Room 216.

Determination of Empire Content

2. MR. RUNCIMAN, as Chairman of the Sub-Committee for drafting a statement on the question of Empire Content, presented a report and moved its adoption by the Committee. The report is attached as an annex to these Minutes.[1]

It was agreed by the Committee to adopt the report.

Export Bounties and Anti-Dumping Duties

3. THE CHAIRMAN said that the only matter on the agenda of the Committee which had not yet been considered was "Export Bounties and Anti-Dumping Duties within the Commonwealth".

On the motion of MR. BENNETT it was agreed, after discussion, to recommend to the Conference the adoption of the following resolution:

> This Conference, recognizing that export bounties and exchange depreciation adversely affect the value of tariff preferences within the Commonwealth, expresses the hope that with a rise in the level of commodity prices and with stabilized exchanges such bounties and the special duties which have been adopted as a means of adjusting the situation so created, may be withdrawn.

...

[1] Non reproduit. [1] Not printed.

70.

Extraits des procès-verbaux du Comité pour la promotion du commerce
Extracts from Minutes of Committee on Trade Promotion

SECRET

Sixth Meeting August 19, 1932

Resolution concerning Trade Agreements

1. MR. CHAMBERLAIN submitted a resolution which had been framed by the drafting committee, and moved its adoption by the Committee.

It was agreed to recommend to the Conference the adoption of the resolution, which reads as follows:

> The nations of the British Commonwealth having entered into certain Agreements with one another for the extension of mutual trade by means of reciprocal preferential tariffs, this Conference takes note of these Agreements and records its conviction:
>
> That by the lowering or removal of barriers among themselves provided for in these Agreements the flow of trade between the various countries of the Empire will be facilitated, and that by the consequent increase of purchasing power of their peoples the trade of the world will also be stimulated and increased;
>
> Further, that this Conference regards the conclusion of these Agreements as a step forward which should in the future lead to further progress in the same direction and which will utilise protective duties to ensure that the resources and industries of the Empire are developed on sound economic lines.
>
> The Agreements referred to are annexed hereto and the Conference commends them to the Governments of the several parts of the Empire.

Adoption of Committee's Report

THE CHAIRMAN read to the Committee a draft report which he had prepared for its approval.

It was agreed to adopt the report, the full text of which appears in the Report of the Conference.

Closing Session of Conference

3. MR. BENNETT proceeded to explain the procedure which would be adopted at the closing session of the Conference at 10.30 the following morning.

Publicity to be accorded to Trade Agreements

4. A discussion ensued on the methods which should be pursued concerning the publication of the bilateral Trade Agreements which were to be signed.

MR. BALDWIN stated that the United Kingdom Delegation desired to make public at once as much as possible of the text of the Agreements to which the United Kingdom was a party, and was prepared to issue immediately the full particulars of the preferences accorded to the Dominions and India.

It was agreed that the question was primarily one to be settled by the parties to each Agreement. The Delegations of the Dominions and of India expressed their readiness to publish a summary of the preferences accorded by them if they were unable to issue the full text. It was recognized that it would in most cases be practicable to issue the full text of the Agreements accompanied by the full text of such schedules as could now be published and by a summary of the others. It was stated on behalf of all delegations that it was the intention of their Governments to lay the Agreements before their legislatures as soon as possible.

Appreciation of Chairman's Services

5. MR. BENNETT expressed the appreciation of the members of the Committee of the distinguished services of Lord Hailsham as its Chairman.

71.

Mémorandum par le ministère des Affaires extérieures
Memorandum by Department of External Affairs

Ottawa, October 7, 1932

SUGGESTED PROCEDURE RESPECTING TRADE AGREEMENTS CONCLUDED AT THE IMPERIAL ECONOMIC CONFERENCE

Friday, October 7th.

The following Proposed Resolution might be handed to the Clerk of the House of Commons Friday, October 7th, to appear in "Votes and Proceedings" and "Orders of the Day" of Monday, October 10th:

> Resolved that it is expedient that Parliament do approve of the Trade Agreement entered into at Ottawa the 20th day of August, 1932, between representatives of His Majesty's Government in Canada and of His Majesty's Government in the United Kingdom, and that this House do approve of the same, subject to the legislation required in order to give effect to the fiscal changes consequent thereto.

Wednesday, October 12th.

In accordance with the understanding reached with the other Governments represented at the Imperial Economic Conference, the Secretary of State for External Affairs will lay copies of the Trade Agreements concluded at the Imperial Economic Conference on the table of the House at 4 p.m., Wednesday, October 12th.

It would then be in order for the Secretary of State for External Affairs to move the above mentioned Resolution and to make a statement of any desired length though, if the tariff changes are to become effective on October 13th, sufficient time should be left before the House rises at 6 p.m., to enable the Minister of Finance to get his Tariff Resolutions before the House.

If the debate on the Address be not then concluded, it will be necessary, before giving notice of Tariff Resolutions, to set up the "Committee of Ways and Means." To do this the Minister of Finance should move "that this House will immediately resolve itself into a Committee to consider of the Ways and Means for raising the supply to be granted to His Majesty, and that Standing Order 57 be suspended in relation thereto." He may then state, in accordance with the usual formula, "I beg to give notice that when the House resolves itself into Committee, I shall move the following Resolutions:

1. RESOLVED: That The Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter thirteen of the Acts of 1930 (First Session), chapter three of the Acts of 1930 (Second Session), and chapter thirty of the Acts of 1931, be further amended by adding to subdivision (*a*) of sub-section (1) of Section 3 thereof the following:

Provided, however, that with respect to a British country situated wholly inland and possessing no seaport of its own and the goods of which are on admission to Canada entitled to rates as low as, or lower than, the British Preferential Tariff, the nearest seaport accessible to such country shall be deemed for the purposes of this Act to be a port of that country.

2. RESOLVED: That Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by Chapter seventeen of the Acts of 1928, chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (First Session), chapter three of the Acts of 1930 (Second Session), chapter thirty of the Acts of 1931 and chapter forty-one of the Acts of 1932, be further amended by striking thereout tariff items—

(Here follows list of Tariff Items)

3. RESOLVED: that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the thirteenth day of October, One Thousand Nine Hundred and Thirty-two, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for consumption for which no entry for consumption was made before that date.

If the debate on the Address be then concluded the Minister of Finance may proceed directly to give notice of, and to table, the Tariff Resolutions.

Concurrently the Minister of Finance will table the Tariff Resolutions.

With respect to the other Trade Agreements to which Canada is a party, it would be desirable to have the following Bills placed on the "Orders of the Day". They could be taken up after the Canada-United Kingdom Trade Agreement and the tariff changes consequent thereto are adopted.

Bill intituled: "An Act respecting a certain Trade Agreement between the Dominion of Canada and the Union of South Africa."

Bill intituled: "An Act respecting a certain Trade Agreement between the Dominion of Canada and the Irish Free State."

Bill intituled: "An Act respecting a certain Trade Agreement between Canada and Southern Rhodesia."

72.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 184 Ottawa, December 31,1932

IMMEDIATE. CONFIDENTIAL. Following message has been sent to the Governments of Australia, New Zealand, South Africa, the Irish Free State and Newfoundland. Begins. You will recall that during the Imperial Economic Conference Ottawa, 1932, a recommendation was agreed to that a Committee should be set up, consisting of not more than two representatives of each of the participating Governments, to examine and report upon the whole question of economic consultation and cooperation between the several Governments of the Commonwealth. In accordance with the understanding that our Government should undertake to convene the Committe, and that London would be the most suitable meeting place, I should be obliged if you could advise what time within the next six weeks would best suit the convenience of your Government for the meeting of the Committee in London. It was recommended that the Committee should report to the several Governments not later than 31st May next, but it has since been suggested that in view of administrative problems which may require early consideration in the light of the report it would be preferable if the report could be concluded by 31st March. In view of this circumstance as early a date as possible is desirable. His Majesty's Government in the United Kingdom has suggested that provision should be made for the inclusion of a representative of the Colonies. We concur and should be glad to have your view on this point as well as on the date of meeting. [Ends.]

Will you please convey a similar message to the Government of India, as I understand it was contemplated that India should be represented on the Committee if it so desired.

I understand that His Majesty's Government in the United Kingdom would find a date in January most convenient but should be glad to learn whether you have any definite date in mind.

73.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 10 Ottawa, January 17, 1933

CONFIDENTIAL. Your telegram of the 6th January No. 3, Confidential, Committee on Economic Consultation and Co-operation. We have now heard from all Dominions indicating that they are agreeable to sending representa-

tives to meeting of above Committee in London within the period suggested in our cable No. 184, December 21. His Majesty's Government in Canada, therefore, in accordance with the Resolution of the Imperial Economic Conference, invite His Majesty's Government in the United Kingdom to nominate representatives to a Committee on the above question to meet in London Tuesday, February 14, as the earliest date available. It is proposed that the preliminary meeting for organization and discussion of initial procedure be held at Canada House at 11 a.m. on the above date. We would appreciate if you could transmit a similar invitation to the Government of India.

It has been suggested that, in view of her participation in the work of the Imperial Economic Conference, Southern Rhodesia should take part in the deliberations of the proposed Committee. We would be glad, therefore, if you would transmit an invitation to the Government of Southern Rhodesia to nominate a representative on the Committee.

The Dominions are all agreeable to the suggestion that a delegate should be appointed to represent the Colonies.

74.

Le Premier ministre au Haut commissaire
Prime Minister to High Commissioner

TELEGRAM Ottawa, February 2, 1933

PERSONAL. Commonwealth Committee on Methods of Economic Cooperation: representatives already named are as follows: Canada—Skelton and Vanier; United Kingdom—Fabian Ware and Horace Wilson; New Zealand—Wilford and Forsythe; Irish Free State—Dulanty; Newfoundland—Lord Morris and Job; Southern Rhodesia—Downie; Colonies—Sir John Shuckburgh; India—Sir Atul Chatterjee and Sir Padanje Ginwala. I will advise you as to Australian, South African representatives as soon as they are named. Skelton leaves today by *Aquitania*.

BENNETT

75.

Le Représentant au Premier ministre
Representative to Prime Minister

TELEGRAM [London,] February 14, 1933

Following for Prime Minister. Committee launched to-day very effectively by High Commissioner who gave luncheon afterwards to Committee and Thomas Hoare Cunliffe-Lister. I found on arrival United Kingdom people

desired me take chairmanship. I objected both because considering Ware best choice and because suspecting desire to muzzle me. Found however Ware out of question and anxious to have me rather than Wilson and after discussing with Ferguson Vanier Pearson agreed on understanding I would be free take part in discussion. Have written. Hope you have wholly recovered from reported illness.

SKELTON

76.

Le Représentant au secrétaire d'État aux Affaires extérieures
Representative to Secretary of State for External Affairs

TELEGRAM London, March 29, 1933

Following for the Prime Minister. Begins. 1. Our Economic Co-operation and Consultation Committee has not made as rapid progress as desired owing to the anxiety of Institutions here to present complete case, my absence in Geneva, and fine spring weather in London.

2. Central difficulty is presented by the disappearance of basis of Empire Marketing Board now that Britain has definitely accepted tariff preference for which Board was substitute, and by consequent British Government announcement that it was not prepared to continue grant on present basis beyond September. Further difficulty is occasioned by shifting financial policy; the original million pound sterling grant for overseas marketing was first partly transferred to home producers then total reduced to 4 or 5 hundred thousand, then reserve fund, which had been accumulated to meet commitments if grant should cease, was confiscated by the Treasury in 1931. The Board spent 70 per cent of fund in scientific research grants, of which 70 per cent went to United Kingdom Institutions, 13 per cent to the Colonies, 9 per cent to Australia and one half of one per cent to Canada. Most of the grant useful, comparable to Government and University research expenditures in Canada, some of direct and some of indirect advantage to parts of the Commonwealth other than those in which Institutions were located; some would have been given direct by the Treasury if Empire Marketing Board fund had not been available, others would not.

3. Consequently, strenuous efforts are being made by the United Kingdom to commit us to scheme of predetermined joint fund, administered by Board, sitting in London, which would make grants to Research Institutions anywhere in the Empire, though with existing research grants being a first lien. Wilson is supported by McDougall of Australia which has had substantial benefits, McDougall further being anxious to serve on such a Board, also by New Zealand because it is New Zealand. "Our colony of Newfoundland" has nobly supported us and testified to help derived from Canadian institutions.

4. Our position with regard to research grants has been that question of liquidation of existing Empire Marketing Board commitments should be kept distinct from question of future policy. First as to existing commitments we think that countries in which Institutions are situated should as a rule accept responsibility for the next year or two, either to continue to reduce or terminate grants. We have stated that we would recommend Canada assuming existing small commitments to Canadian Institutions and in addition giving aid for year or two pending further consideration to two Institutions here: the Timber Testing Laboratory Works at Princes Risborough and the beneficial parasite works at Farnham Royal. Second as to future cooperation in scientific work we propose conference of responsible research administrative authorities as soon as possible including in our case representatives of National Research Council and Department of Agriculture to consider what research schemes are of interest to two or more members of the Commonwealth and to recommend enquiry into allocation of such tasks among the several members or arrangements for coordination of similar works at several centres or in some cases, which we think would be few, contributions to works at a single centre. If their recommendations were approved by Governments provisions would be made accordingly. We are absolutely convinced that this is preferable to setting up a fund in advance and then having a London Board decide how to allocate it.

5. Next regarding economic inquiry and consultation—United Kingdom and Australia emphasize need of an intellectual general headquarters in London to provide information and suggestions for dealing with questions arising between the several Governments and propose to utilise joint fund aforesaid for such purpose. We have emphasized necessity of each Government building up its own information service as part of its administrative responsibilities and of consultation on economic questions being made by Governments direct or through their High Commissioners in London, Ottawa or elsewhere; rather than being feasible through a London Secretariat. Developments in several organisations here indicate aggressiveness of Secretariats of such organisations as proposed by United Kingdom and constant tendency to expand their activities. We have proposed practical methods of co-operation in statistics and similar fields, which can be considered at Statistical Conference set for 1932 but postponed.

6. Regarding market promotion and publicity work now carried on by Empire Marketing Board, some delegations wish to continue this or similar organisation supported by the same large joint fund to carry on work both in the United Kingdom and in the Dominions and perhaps later in foreign markets. Our general view is that each part should assume responsibility for pushing its own wares, and that any attempt to advertise British woollens or New Zealand butter or even background advertising in Canada or in Australia by a joint Board would not make for good. At the same time we

recognize that certain market information services now performed here, such as weekly market intelligence notes on dairy and fruit products and a few services such as Empire shipping can more effectively be carried on by joint action. For this purpose and for such informational services as it may seem desirable to maintain here under heading 5, we consider adequate provision can be made through existing machinery in which High Commissioners are represented, either Imperial Economic Committee or Imperial Institute. Grant of moderate size might be made from High Commissioners' new vote for publicity, etc. My personal view would be in favour of abolishing Imperial Economic Committee, but I imagine you would be prepared to maintain it as affording convenient means of consultation by High Commissioners, and we are therefore recommending its retention. In this case we would favour making it clear that Committee is not to undertake any new work unless by agreement of Governments; we would make suggestions later for improving contact with Ottawa.

7. We are retaining Imperial Agricultural Bureaux which are bibliographical centres, Imperial Shipping Committee, Entomological and Mycological Institute on substantially present basis.

8. In general our position has been that instead of setting up a Central Board with a roving Commission and funds which it is to find ways of spending it is better for Governments to decide what service they want and then make appropriate financial provision and whatever organisation is really needed for this purpose.

9. Ware disappointed that Committee not prepared to make his War Graves Commission model for economic activities but recovering. Had a very pleasant week end with him in Gloucestershire. We hope to conclude Committee next week.

SKELTON

77.

Le secrétaire d'État aux Affaires extérieures au Représentant
Secretary of State for External Affairs to Representative

TELEGRAM Ottawa, April 1, 1933

IMMEDIATE. Reference your telegram of 29th March concerning work of Committee on Economic Cooperation and Consultation: Canadian Government approve general position taken by their representatives on Committee and hope that position will prove acceptable to Committee as basis of a unanimous report to Governments.

In respect of research grants attitude outlined in paragraph 4 is endorsed and recommendations regarding (1) existing Empire Marketing Board commitments to Canadian institutions, (2) additional temporary grants to Timber Testing Laboratory and Entomological Laboratory, (3) participation in projected conference of Empire research organizations to coordinate inquiries of joint interest, are acceptable to Government.

In respect of economic inquiry and consultation, your attitude indicated in paragraph 5 accurately interprets the policy of the Canadian Government.

In respect of market promotion and publicity work dealt with in paragraph 6, we agree that creation of a centralized Imperial sales and advertizing agency would carry with it grave danger of economic and political friction between Commonwealth Governments and should be avoided. As regards projected grant for common purposes from High Commissioner's new vote for publicity, we should have to be satisfied that this would be most effective use that could be made of funds available for pressing sale of Canadian products in the United Kingdom.

We concur in Committee's recommendation that Imperial Economic Committee, Imperial Shipping Committee, Agricultural Bureaux, and Institutes of Entomology and Mycology be retained on substantially present basis, though we feel that participating Governments should share the expense of maintaining first two organizations as they do that of the others.

78.

Le Représentant au secrétaire d'État aux Affaires extérieures
Representative to Secretary of State for External Affairs

TELEGRAM London, April 6, 1933

CONFIDENTIAL. (1) Committee reaching conclusions and expect to sign Report Monday. Hope it will be unanimous. We have made some concessions on points of detail to secure unanimity but in substance Committee have accepted our general position. We managed during the past week to occupy, at least technically, the favourite Canadian middle position, with the United Kingdom and Australia on one side and South Africa and Irish Free State on the other. Not yet certain whether South Africa can accept recommendations on one point, but their representative has cabled urging agreement. Position of the Irish Free State more difficult but fair possibility of acceptance. Dulanty going to Dublin Saturday to consult with his Government on this matter and on revived question of arbitration of land annuities, and wishes me to go along and do what I can to urge acceptance. Doubt whether I can arrange to do so.

(2) Aside from any future decision as to share in common research enterprise which we assume would be extremely limited in the present financial circumstances, recommendations involve new annual expenditure on Canada's part chiefly for Imperial Economic Committee service including market intelligence and for Imperial Shipping Committee of approximately $20,000 being 16% of total.

(3) All delegations agreed that Empire Marketing Board could not be continued though limited portion of its marketing service to be carried on by Imperial Economic Committee. All agreed also that Imperial Institute has outlived usefulness and cannot be long continued as an institution serving and supporting the whole of the Empire though some parts of work may be taken over for Colonial Empire. Canadian delegation expressed some sympathy for Institute but other Dominions and India definitely opposed to any contributions. Assume our contribution will continue for current year.

(4) I expect to spend Tuesday with Ware visting War Graves including Vimy and go on to Paris sailing from Cherbourg later in the week. Pearson who has been absent from family since the end of January will also return then unless instructed. In view of Disarmament Conference reassembling at Geneva 24th April with the probability of reaching agreement in the next two or three months, and of variety and complexity of questions to be considered, it would be most desirable to have someone share this detailed work with Riddell. Would you consider it best to have this done by Pearson, who is familiar with general disarmament question or send someone from Ottawa? Final signature of Convention stated by the Chairman as likely to occur during September when Ministers representing Canada could sign. Should be much obliged if I could have decision by Monday morning in view of arrangements to be made.

(5) Shall endeavour learn Treasury views on World Economic Conference possibilities before returning.

SKELTON

79.

Le Représentant au secrétaire d'État aux Affaires extérieures
Representative to Secretary of State for External Affairs

TELEGRAM London, April 8, 1933

CONFIDENTIAL. (i) My telegram of the 6th April. Final meeting of Committee for signatures will be held Tuesday. (ii) Regarding Geneva arrangements Pearson now learns that domestic reasons make it difficult to remain

abroad longer. I would suggest that decision as to representation be deferred until I report on return and that Désy continue to assist meanwhile. (iii) I am not able to visit Dublin or Belfast; shall spend Thursday and Friday in Paris, sailing Saturday. In view of report of your probable visit to Washington to confer with MacDonald and Roosevelt would you consider it of any value to sail on *Berengaria* Saturday in order to be able to send reports to you after discussions with party on board.[1] If not shall sail *Ausonia* same date.

SKELTON

80.

Le secrétaire d'État aux Affaires extérieures au Représentant
Secretary of State for External Affairs to Representative

TELEGRAM Ottawa, April 8, 1933

CONFIDENTIAL. Your telegrams of 6th and 8th April. Committee's recommendations indicated in your telegrams very satisfactory and Government is well pleased with work of its representatives. Regarding representation at resumed Disarmament Conference, I concur in your suggestion that decision be deferred until your return and agree that Pearson should return. I think it might be useful for you to sail on the *Berengaria.*

81.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM C. 3 London, August 2,1933

My despatch of the 8th June, Circular C. 140. Report of Imperial Committee on Economic Consultation and Co-operation was considered at meeting of British Commonwealth delegations to Monetary and Economic Conference on the 28th July. It was then intimated that the Governments of the Commonwealth represented at meeting accepted generally recommendations in Report and note was taken of fact that arising out of this acceptance Empire Marketing Board as such would be disbanded on the 30th September, 1933.

[1] Voir le document 225. [1] See Document 225.

His Majesty's Government in the United Kingdom are accordingly taking steps to disband Empire Marketing Board on the date mentioned. They would like to take this opportunity of expressing their thanks for assistance given by overseas representatives on Board who have devoted so much time to co-operating in its work.

As regards proposed transfer of certain functions of Empire Marketing Board to Imperial Economic Committee and proposed changes in regard to Executive Council of Imperial Agricultural Bureau and Imperial Shipping Committee as recommended in Report, see paragraph 358, His Majesty's Government in the United Kingdom propose to issue, at an early date, instructions to their representatives on these bodies to the effect that they accept proposals of Report in detail. If your Government also accept the proposals in detail His Majesty's Government in the United Kingdom suggest that they should telegraph similar instructions to their representatives on these bodies in order that meeting of bodies may be held at an early date for the purpose of giving effect to changes proposed in Report.

His Majesty's Government in the United Kingdom would be glad to be informed of action taken by your Government in this matter and would call attention to the need for early action in view of the fact that it is proposed that changes as regards bodies in question should take effect from the 1st October, from which date, in the case of Imperial Economic Committee, funds from the present source (viz. Empire Marketing Fund) will no longer be available.

82.

Le secrétaire d'État par intérim aux Affaires extérieures au Haut commissaire

Acting Secretary of State for External Affairs to High Commissioner

TELEGRAM 134 Ottawa, October 15, 1933

Report of Imperial Committee on Co-operation and Consultation. Despatch mailed today to Secretary of State for Dominion Affairs regarding position arising from general acceptance in July of recommendations of Report. Canadian Government will accept full responsibility for following projects at present carried on in Canada with support of Empire Marketing Board—cheese ripening studies in British Columbia and helminthological work at Macdonald College. So far as projects in United Kingdom and elsewhere are concerned Government is prepared to utilize and pay on a fee basis for services of Institutes at Farnham Royal and Princes Risborough.

Confidentially while agricultural authorities not at present able to provide more direct assistance to Farnham Royal they would like to be advised of situation and if any likelihood of work terminating might reconsider possibility of temporary grant. Regarding general method of cooperating research activities in future Government is definitely convinced that question should be discussed at Imperial Scientific Conference which should be convened in London as soon as possible. It is felt this Conference might give further consideration to question of relation of Entomological and Mycology Institutes to Executive Council of Imperial Agricultural Bureaux first and secondly to proposals that Executive Council should supervise cooperative research activities in United Kingdom.

As regards Economic Services which are being continued through Imperial Economic Committee and Imperial Shipping Committee, Canadian Government will undertake contribution for balance of this fiscal year on basis recommended in Report.

83.

Le secrétaire d'État par intérim aux Affaires extérieures au secrétaire aux Dominions

Acting Secretary of State for External Affairs to Dominions Secretary

DESPATCH 213 Ottawa, October 3, 1934

Sir,

I have the honour to refer to your despatch No. 407 of the 2nd September, 1933, and previous correspondence on the subject of the power granted to His Majesty's Government in the United Kingdom under Section 17 of the Finance Act, 1930, to enter into arrangements with the Government of any part of His Majesty's dominions for the reciprocal exemption from income tax in certain cases of profits or gains arising through an agency.

In reply I am now able to transmit copy of an Order-in-Council P.C. 2246,[1] approved by His Excellency the Governor General on the 15th September, 1934.

The Agreement for the Relief of Double Taxation, embodied in this Order-in-Council, was formulated by the High Commissioner for the United Kingdom in Canada and the Commissioner of Income Tax of the Dominion of Canada. It will be noted that this Agreement has been approved by His Majesty's Government in Canada and that it is provided in the Order-in-Council that it be submitted to His Majesty's Government in the United Kingdom for their approval and if approved by them the Minister of Finance

[1] Non reproduit. [1] Not printed.

is authorized to sign and formally conclude the Agreement on behalf of His Majesty's Government in Canada.

I should count it a favour if you would inform me if and when this Agreement receives the approval of His Majesty's Government in the United Kingdom in order that the Minister of Finance may be authorized to take the requisite action to conclude the Agreement.

I have etc.

LAURENT BEAUDRY
for Acting Secretary of State
for External Affairs

84.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissaire de Grande-Bretagne

Under-Secretary of State for External Affairs to British High Commissioner

Ottawa, Febuary 22, 1935

Dear Sir Francis,

May I refer to Mr. Archer's semi-official communication, dated the 5th January, 1935, concerning the draft Agreement between His Majesty's Governments in Canada and the United Kingdom, for the reciprocal exemption from income tax of certain agency profits.

I have discussed the matters with the interested Departments, and we are anxious to go as far as possible in meeting the views of the Board of Inland Revenue. . . .

With regard to the question of the scope of the proposed Agreement, and particularly the question of whether it could cover provincial taxation, I may say that there are great difficulties that would involve a lengthy delay and a possible frustration of the project. It would not be in accordance with constitutional practice for the Canadian Government to conclude such an Agreement in terms that would affect the taxing powers of the provinces, without first consulting the authorities of the Provinces. Such a consultation would involve prolonged negotiations, which probably could not be completed within the present year. In the circumstances, it seems to me that it would be preferable to confine the scope of the proposed Agreement to the Dominion taxing power. In the event that the provincial aspect of the problem became important, it would always be possible for your Government to reconsider the whole question and, of course, the Agreement itself may be terminated upon six months' notice by either Government.

Yours sincerely,

O. D. SKELTON

85.

Le haut commissariat de Grande-Bretagne au sous-secrétaire d'État aux Affaires extérieures

Office of British High Commissioner to Under-Secretary of State for External Affairs

Ottawa, August 23, 1935

My Dear Dr. Skelton,

In the temporary absence of the High Commissioner from Ottawa, I am writing with reference to your letter of February 22nd last to him about the draft Agreement between His Majesty's Governments in the United Kingdom and Canada, for the reciprocal exemption from income tax of certain agency profits. . . .

In the circumstances set out in your letter under reply, the Agreement has been confined to Dominion income tax, and my Government do not propose at the moment to ask to have it extended to cover also provincial taxation on profits. You will appreciate, however, that it would be necessary for my Government to reconsider the position if difficulties should hereafter arise in connexion with provincial taxation. Subject to this point, the draft Agreement in this form is satisfactory from the United Kingdom standpoint.

If the Canadian Government concur in the terms of the enclosed draft,[1] my Government suggest that the necessary steps might be taken to arrange for its signature in Ottawa on behalf of the two Governments. The High Commissioner has been authorised to sign it on behalf of my Government.

Yours sincerely,

NORMAN E. ARCHER

86.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissaire de Grande-Bretagne

Under-Secretary of State for External Affairs to British High Commissioner

Ottawa, October 7, 1935

The Under-Secretary of State for External Affairs presents his compliments to the High Commissioner of the United Kingdom and Northern Ireland, and has the honour to transmit five (5) copies of the Canadian print of the Agreement between Canada and the United Kingdom, which

[1] Non reproduit. [1] Not printed.

was signed at Ottawa on the 3rd October, 1935, concerning the reciprocal exemption from income tax in certain cases of profits or gains arising through an agency; and two copies of the French translation of the same.

PARTIE 2 / PART 2

DÉFENSE IMPÉRIALE
IMPERIAL DEFENCE

87.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 218 Ottawa, June 19, 1931

Sir,

I have the honour to refer to the Summary of Proceedings of the Imperial Conference 1930, Part (VI) Inter-Imperial Relations (f) Defence Questions (i) Discipline of Armed Forces. Reference was there made to Paragraph 44 of the Report of the Conference on the Operation of Dominion Legislation and questions relative to discipline of Armed Forces were discussed briefly.

At the Imperial Conference in 1930, this matter was dealt with by the Committee on Certain Aspects of Inter-Imperial Relations, and it was given special consideration by the Sub-Committee on Discipline of the Armed Forces and Prize Law. Consideration was given to a document prepared by the representatives of His Majesty's Government in the United Kingdom entitled, "Memorandum on the Position of Armed Forces Present in the Territory of Another Member of the Commonwealth". This Memorandum was not referred to in any of the published records of the Conference, but the principles upon which it was based appeared to meet with general approval.

There was one aspect of this problem in respect to which the Canadian representatives held views that were not entirely in accordance with those embodied in the memorandum. It was understood that these views would be embodied in a supplementary memorandum which would be circulated among the interested Governments.

The special point in respect to which the Canadian representatives held views that were not in accordance with the memorandum concerned the proposal embodied in the memorandum to deal with the Naval Forces on a basis different from that adopted for the Land and Air Forces. The reasons for the adoption of a simple and comprehensive scheme embodying all Arms of the Service are set forth in a supplementary memorandum and are sub-

mitted to you for your consideration. I have the honour to enclose six copies of the supplementary memorandum and to inform you that a similar communication, enclosing copies of the supplementary memorandum, is being sent to the other interested Governments.

I have etc.

O. D. SKELTON

for the Secretary of State
for External Affairs

[PIÈCE JOINTE / ENCLOSURE]

[n.d.]

SUPPLEMENTARY MEMORANDUM DEALING WITH THE QUESTIONS DISCUSSED IN THE MEMORANDUM ON THE POSITION OF ARMED FORCES PRESENT IN THE TERRITORY OF ANOTHER MEMBER OF THE COMMONWEALTH

1. In the Summary of Proceedings of the Imperial Conference, 1930, Part (VI) Inter-Imperial Relations (f) Defence Questions (i) Discipline of Armed Forces, reference was made to paragraph 44 of the Report of the Conference on the Operation of Dominion Legislation, and the questions relating to discipline of Armed Forces were discussed briefly. At the conference this matter was dealt with by the Committee on Certain Aspects of Inter-Imperial relations, and it was given special consideration by the Sub-Committee on Discipline of the Armed Forces and Prize Law. The memorandum referred to in the title was considered by the Sub-Committee and, while it did not meet with disapproval, it was decided not to refer to it in any of the published records of the Conference.

2. The basic problem is the need for making legislative provision that will enable armed forces of one member of the British Commonwealth, when present in the territory of another member, with the consent of such other member, to function effectively. For this purpose it is necessary to establish local statutory authority to enable armed forces to maintain their discipline in accordance with their own law and to enable armed forces to secure, as of right, such aid of the civil power as is necessary.

3. At present, these ends are secured by the exercise of the supreme legislative power of the Parliament of the United Kingdom, which has been extended both to the law governing the Armed Forces of the United Kingdom and also to the law governing Dominion Forces.

4. In respect to the Land and Air Forces, this end is secured by Annual Acts. After the coming into force of the Statute of Westminster it will not be practicable to re-enact these Acts in their present form. In respect to the Naval Forces it is secured by the Naval Discipline Act, 1866, and by the Naval Discipline (Dominion Naval Forces) Act, 1911, both of them being

Permanent Acts. The two Naval Discipline Acts, on the other hand, will presumably continue in force, like all other Imperial enactments extending to the Dominions, until they are displaced by repealing, amending or repugnant legislation of one or more of the Dominions.

5. In view of this difference in the legal position, the memorandum proceeds upon the theory that remedial measures should be adopted relating to the Army and Air Force Acts, but that the Naval Forces should be left for the time being to be governed by the existing permanent statutes.

6. There are objections to this mode of procedure. In raising an objection it is not intended to suggest that the existing machinery relating to naval forces is unsatisfactory, but there are substantial reasons for avoiding the proposed distinction that is to be drawn between naval forces and other branches of the defence forces of the countries concerned.

7. The objections to the proposed procedure are twofold:

In the first place, it cannot be relied upon as a permanent solution because it is not certain that the Dominions generally will continue to base their action upon the 1911 Statute. One or more of them may prefer to rely upon the powers given in the Statute of Westminster. Action by any Dominion along these lines would disrupt the scheme as between that Dominion and the remaining members of the British Commonwealth, and would necessitate special reciprocal legislation between that Dominion and each of the other members, to provide for the new situation.

In the second place, there is a more substantial objection. It is possible that there may be a reorganization of the defence forces of a member of the British Commonwealth involving the establishment of a unified defence force including all three Arms, with a common disciplinary code and with common provisions for the aid of the civil power. Such a reorganization would be impossible, without special reciprocal legislation, if naval forces are excluded from the operation of the proposed remedial measures.

8. It appears to be desirable that the remedial measures adopted should be broad and elastic in their character. They should be capable of co-ordination with a system in which the three Arms are under separate control and subject to separate organizations. They should also be capable of co-ordination with a system whereby two or more of the fighting services are under a unified control and organization. There does not appear to be any difficulty in drafting the proposed legislation so as to be capable of co-ordination with any possible type of defence organization.

9. Referring to the summary of provisional conclusions and suggestions, as in Paragraph 26 of the Memorandum and to be found on pp. 18 and 19, there would appear to be no difficulty in applying the proposals to the defence forces generally. Two changes only are indicated:

In the first place, to revise the language relating to Army and Air Forces so as to include Naval Forces;

In the second place, to word the measure so that it will apply whether the three fighting services are organized independently or whether two or more of them are established on a unified basis.

10. Assuming that these modifications are made, there would be no essential differences in the present or future position of the Naval Forces. The Naval Forces operating under the existing legislation would be entitled to all the rights and privileges by virtue of the proposed remedial measures which they now enjoy by virtue of the Naval Discipline Acts. In the event of a change from the Naval Discipline Acts as a legislative basis, the Naval Forces operating under new legislation would continue to enjoy necessary statutory rights and privileges under the remedial measures, irrespective of the type of organization adopted. The real difference suggested by this note is not one of principle. It merely provides for an event that may happen in the future. It means a treatment of the whole problem instead of a partial treatment which may involve new arrangements in the future at a time when it may be more difficult to obtain agreed action.

11. The other questions raised by the Memorandum, such as Mutual Command, Deserters, and Special Legislation, are receiving further consideration and will be dealt with by a separate note.

88.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

DESPATCH A. 111 Downing Street, July 4, 1931

SECRET

Sir,

I have the honour to refer to the paragraphs in the Summary of Proceedings of the Imperial Conference 1930 (page 2 of Cmd. 3717) dealing with the question of Discipline of the Armed Forces in relation to paragraph 44 of the Report of the Conference on the Operation of Dominion Legislation, 1929.

2. It will be recalled that a memorandum was circulated to the Conference at the instance of the United Kingdom delegation setting out certain suggestions as to methods of dealing with the problems involved. Copies of this memorandum are enclosed for convenience of reference.[1]

3. With a view to giving effect to these suggestions so far as this country is concerned, the draft of a Bill has been prepared for the consideration of His Majesty's Government in the United Kingdom. Copies of this draft Bill

[1] Non reproduit. [1] Not printed.

are enclosed, as it is thought that it may be of assistance to His Majesty's Governments in the Dominions in their consideration of the subject.

4. His Majesty's Government in the United Kingdom hope that His Majesty's other Governments will be prepared to promote legislation, with the object of making provision within their respective territories similar to that which the draft Bill is designed to provide in this country, in so far as the points dealt with are not already covered by existing legislation. In this connection it will be observed that the Draft Bill, while primarily dealing with the position in the United Kingdom, contains also in clause 5 a provision for its application to the Colonies and (as regards clause 4) to forces raised therein. It is hoped therefore that, in any legislation to be passed in the Dominions, the definition of "visiting" forces may be such as to cover the forces not only of the United Kingdom and of other Dominions but also of Colonies to which the United Kingdom Act has been extended under clause 5.

5. His Majesty's Government in the United Kingdom would wish to emphasize the importance which is attached to the need for early action in this matter, so that any necessary legislation may come into force as soon as possible after the passage of the Statute of Westminster, and that thus the difficulties which might otherwise arise on the expiry of the current Army and Air Force Annual Act may be avoided.

I have etc.

J. H. THOMAS

89.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

DESPATCH 502 Downing Street, September 5, 1931

SECRET

Sir,

I have the honour to acknowledge the receipt of your despatch No. 218 of the 19th of June forwarding a memorandum on the subject of the recommendations of the Imperial Conference 1930, as to the discipline of armed forces.

2. It will be seen from the draft Bill, of which copies were enclosed in my Secret Circular despatch A. No. 111 of the 4th of July, that it is proposed in this country to deal with the position of naval, military and air forces substantially on the same footing. His Majesty's Government in the United Kingdom trust that the proposed provisions set out in that Bill will commend themselves generally to His Majesty's Government in Canada.

3. A copy of this despatch is being sent to the Commonwealth of Australia No. 380, New Zealand No. 298, the Union of South Africa No. 265, the Irish Free State No. 214, and Newfoundland No. 396.

I have etc.

J. H. THOMAS

90.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 162 Ottawa, December 3, 1931

SECRET. Your circular despatch A 111 the 4th July, 1931, Secret, Draft Dominion Forces Bill sixth clause. The first five clauses of the Draft Bill seemed to deal adequately with the position of Army Air Force and Naval Forces alike and there is some difficulty in understanding why the sixth clause is included and whether the Dominion is expected to enact a corresponding clause. I should appreciate your views as to the reasons for inclusion and as to its interpretation.

91.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 4 London, January 14, 1932

IMMEDIATE. SECRET. Your telegram No. 162 of the 3rd December, Secret, Dominion Forces Bill. Reason for inclusion of Clause 6 is that it is thought eminently desirable that, unless and until it should be otherwise decided, the existing close union between the Royal Navy and Dominion Navies should be maintained, and that present arrangements (such as joint courts martial and interchange of Officers) which have given satisfaction to all parties should continue.

It is doubtful whether this object could be attained under Clauses 1 to 5 of Bill without a special order of the Admiralty in each case.

For removal of doubt and in order to make it clear that *status quo* is preserved so long as naval discipline (Dominion Forces) Act 1911 and Dominion enactment adopting same remains unrepealed, it is thought desirable that Clause 6 should be included in Bill and that a corresponding Clause should be enacted in any reciprocal Dominion legislation. Such an arrangement would appear to be fully in conformity with the general lines of proposals

referred to in Paragraph 10 of memorandum enclosed in your despatch No. 218 of the 19th June.

The intention and it is thought the correct interpretation of Clause 6 of Bill is that it ensures provisions of Bill so far as Naval Forces are concerned form an extension and not a curtailment of powers conferred by Act of 1911 on the United Kingdom and any Dominion jointly.

92.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.6 London, January 22, 1932

SECRET. Following for your Prime Minister. Begins. His Majesty's Chargé d'Affaires at San Salvador reports that on the night of the 19th January a large body of well armed Communists preparing to attack San Salvador were dispersed by Government forces and their leaders arrested. Martial law has been proclaimed but position is very grave as Communists have made detailed plans for a general rising with a view to the establishment of a Soviet Republic, and it appears doubtful whether Government can dominate them owing to army dissension and infiltration of Communism among the troops, weakness of the President and disloyalty of high officials. Rising was planned for midnight 23rd January but takes place at any time. The intention of the Communists is to sack the city and there is a possibility of danger to British banks, railways and other British lives and property. Ends.

93.

Le commandant en chef, Amérique et Antilles, au chef de la Marine
Commander-in-Chief, America and West Indies, to Chief of Naval Staff

TELEGRAM 7.16 p.m. E.S.T., January 22, [1932]

Following received from Admiralty. Begins. Foreign Office have sent urgent request for immediate despatch of one of H.M. Ships to Acajutla, because of grave danger of general risk (?rising) of communists at San Salvador involving imminent danger to British lives and property. Ends. H.M.S. *Dragon* is being despatched to Acajutla but cannot arrive before Wednesday 27th January. In view of need for immediate action I suggest *Skeena* and *Vancouver* who appear to be in vicinity be directed to render such assistance to British subjects at Acajutla as may be necessary. Repeated Admiralty and *Skeena.*

94.

Le chef de la Marine au commandant du "Skeena"
Chief of Naval Staff to Commander of "Skeena"

TELEGRAM [Ottawa,] 1.30 a.m. E.S.T., January 23, [1932]

Repeated C[ommander]-in-C[hief] America and West Indies. Proceed to Acajutla. On arrival get in touch with British Consul or other British authority and ascertain what can be done. Failing that enquire from constituted San Salvador authority and ascertain if assistance required to protect British lives and property. At same time get in touch with United States authorities and work in co-operation with them. Ascertain if any Canadian residents. No overt act should be taken unless actual and immediate imperative necessity to save lives of British subjects. Keep Headquarters fully informed. Acknowledge. Note: Repeated to Admiralty about noon Saturday 23rd January.

95.

Mémorandum du sous-secrétaire d'État aux Affaires extérieures au Premier ministre
Memorandum from Under-Secretary of State for External Affairs to Prime Minister

[Ottawa,] 2.30 p.m., January 23, 1932

SAN SALVADOR

Mr. Wrong reports that he first saw the British Ambassador who had just been instructed by the Foreign Office to inquire from the State Department as to the United States' attitude in the situation. Wrong says the Ambassador was delighted to hear that the *Skeena* was being sent to Acajutla (an observation which may be interpreted in more than one way). He had received a message from the British Chargé d'Affaires which indicated the likelihood of outbreak tonight.

Wrong then called at the State Department and saw White, who is in charge of Latin-American matters. White's information from the United States Chargé d'Affaires was less alarming so far as the immediate outlook was concerned. The United States Chargé d'Affaires had reported rioting at different points resulting in one case in considerable loss of life, but while considering the situation serious he did not ask for assistance. Mr. White added, however, that two United States destroyers had been ordered to stand by at Corinto (a port on the Pacific coast of Nicaragua about 150 miles from the Salvador port of La Libertad and 200 miles from Acajutla).

Wrong added that White seemed somewhat surprised at the reports of the immediate seriousness of the situation and of the arrival of the *Skeena,* also that he seemed on the whole pleased at the latter news so far as he could gather—Mr. White being a rather reticent man.

Wrong said he would keep in touch with the State Department in case any further news was received.

O. D. SKELTON

96.

Le commandant du "Skeena" au chef de la Marine
Commander of "Skeena" to Chief of Naval Staff

TELEGRAM From *Skeena,* 3.21 p.m., [E.S.T.] January 25, [1932]

IMPORTANT. Commanding Officer has just returned from visit to Capital and conference with British Consul and President of Republic. Government has the situation well in hand. No direct evidence whatever that British lives are in danger and I consider former reports to this effect were greatly exaggerated. Government has raised 500 volunteer guard[s]. Communist Indians have been driven out of Yzalco and several hundreds already killed. Fighting continues in the vicinity. San Salvador and Sonsonate are well guarded and quiet. In view of rumour that small band of Communists are in the vicinity of Acajutla propose remaining for the present. President has issued definite orders that foreign armed parties are not to be landed. An armed platoon was landed yesterday Sunday at repeated and urgent request of British Consul at San Salvador. Platoon remained at wharf but was withdrawn as soon as I reached San Salvador and ascertained that conditions in no way warranted such drastic action. It is considered that refugees will leave ship shortly. U.S. Destroyers *Wickes* and *Phillips* arrived today Monday. U.S.S. *Rochester* with Rear Admiral Smith expected Wednesday night. Repeated Commander in Chief, America and West Indies. H.M.S. *Dragon.*

97.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, January 25, 1932

IMMEDIATE. British Ambassador requests me to inform you that instructions have been sent by the Foreign Office to the Chargé d'Affaires, Salvador, that no British naval ratings or marines are to be landed except at the request of the Salvadorean Government or in case that Government ceases to function. In either case the United States authorities are to be consulted before any landing occurs.

98.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 17 Ottawa, January 27, 1932

IMMEDIATE. SECRET. Our telegram of the 25th January, No. 14, regarding Salvador. The Commander of the *Skeena* reports two United States destroyers at La Libertad and cruiser *Rochester* with Rear Admiral Smith expected at Acajutla on Thursday. Also reports that local Government appears to have situation in control and Government forces protecting all British property where necessary. Therefore we are instructing both Canadian vessels to continue their cruise to Panama after arrival of *Rochester*. Please advise Chargé d'Affaires at San Salvador. Ends.

99.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 11 London, January 29, 1932

SECRET. With reference to your telegram No. 14 of the 25th January and your telegram No. 17 of the 27th January, Secret, we note that H.M.C.S. *Skeena* and *Vancouver* were instructed to continue their cruise to Panama on arrival at Acajutla of United States ship *Rochester* and His Majesty's Chargé d'Affaires at San Salvador has been informed accordingly. His Majesty's Government in the United Kingdom are most grateful for services rendered by the two Canadian ships and highly appreciate action of His Majesty's Government in Canada in responding so readily to suggestion made by the Commander in Chief of the American and West Indies station and thus ensuring protection of British subjects. Message ends.

100.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, February 1, 1932

State Department informs me that cruiser *Rochester* will leave Salvador today Monday and that one destroyer will return to Libertad to stand by for a few days. Have Canadian destroyers left yet?

101.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, February 1, 1932

Your telegram this date. Canadian destroyers have left Salvador for Panama Canal and West Indies.

102.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 71 Ottawa, February 27, 1932

Sir,

I have the honour to refer to your Circular Despatch No. A-111, of the 4th July, 1931, in which you enclose copies of a memorandum on the position of the Armed Forces present in the territory of another member of the Commonwealth, and also copies of a draft Dominion Forces Bill. I have the honour, further, to refer to my telegrams No. 162 of the 3rd December, 1931, and No. 6 of the 13th January, 1932, together with your answering telegram No. 4, Secret, of the 14th January, 1932.

The Memorandum, and the Dominion Forces Bill have received the careful consideration of His Majesty's Government in the Dominion of Canada. The Bill has been studied, not only from the point of view of whether it provides an adequate substitute for the existing position in respect to Armed Forces, but also from the point of view of whether it would serve as a suitable model for legislation to be enacted in the Dominions.

It is necessary to make the following observations with regard to the draft Dominion Forces Bill:

First: Generally, the provisions of the draft Dominion Forces Bill appear to be adequate to meet any contingencies that may arise relative to visiting forces, deserters, attachment of personnel, mutual powers of command and other matters covered by the clauses of the draft.

Second: One difficulty arises out of consideration of the long title of the Bill and the eighth clause. The same problem appears, incidentally, in the sixth and seventh clauses and also, generally throughout the Bill.

The Bill uses the terms, "Dominion", "Dominion Forces Bill", and similar expressions, and it also, inadvertently, suggests in its wording, a distinction in the relation between His Majesty and His Forces in the

Dominions and in the United Kingdom, respectively. It suggests a disunity that is hardly in accordance with the close co-operation and co-ordination of defence forces which has existed in the past and which, it is to be hoped, will continue.

With regard to the use of the word "Dominion", it is to be remembered that the Bill is intended to be used as a model enactment, and that it provides a satisfactory basis for uniform, reciprocal legislation. For that end, the title seems to be singularly inappropriate. It would involve the necessity, in the Dominion enactments of defining the word "Dominion" as including the United Kingdom and the Dominions. Pending the invention and general acceptance of a satisfactory term, it may be suggested that it would be desirable to avoid the use of the word "Dominion" and to concentrate upon the forces in the title of the Bill. The Bill itself, in the first section, defines "Visiting Force". A short title might be suggested: "His Majesty's Armed Forces (Visiting Forces) Act, 1932". The long title might well be,

> An Act to make Provision with Respect to Visiting Armed Forces of His Majesty when present in the United Kingdom or a colony; with respect to the Attachment of Members of Other Armed Forces of His Majesty to any of His Majesty's Home Forces or of Members of His Majesty's Home Forces to any Other Armed Forces of His Majesty; with respect to the exercise of command and discipline, when His Majesty's Forces are serving together; and with respect to deserters from Others of His Majesty's Armed Forces.

This would involve the elimination of the interpretation of "Dominion" from the seventh clause, and the addition of an interpretation of the phrases "Other Armed Forces", and "Other Armed Forces of His Majesty". It would also involve the use and interpretation of some such neutral word as "state", to include the United Kingdom and the Dominions, and its substitution in the Bill. The adoption of these changes would require, as a consequential amendment, the elimination of the words, "and of any Dominion" from the sixth clause.

These changes, if accepted, would obviate the difficulty arising from the inadvertent suggestion of distinction in the position of the different forces of His Majesty in their relation to the Crown and to one another. On the other hand, by emphasizing the position of all of the Armed Forces, as being His Majesty's Armed Forces, it would tend to emphasize that close and important relation

Third: Another difficulty arises with regard to the sixth clause of the Bill. In the series of telegrams referred to, it was ascertained that it was the view of His Majesty's Government in the United Kingdom, that this clause was included because it was thought eminently desirable that, unless and until it should be otherwise decided, the existing close relation between the Royal Navy and the Royal Canadian and other Dominion Navies should be maintained, and that the present arrangements, such as joint Courts Martial and inter-change of officers, which have given satisfaction to all parties, should continue.

It is, therefore, assumed that the enactment of this clause by the Parliament of Westminster, and the enactment of a corresponding clause by the Parliament of Canada, would not be regarded as precluding any subsequent action by the Parliament of Canada, establishing the Royal Canadian Navy upon a different legislative basis and bringing it solely within the ambit of the first five clauses.

The sixth clause, to which reference has been made, provides that:

> *So far as regards the Naval Forces of His Majesty and of any Dominion and the members and ships of any such forces,* the provisions of this Act shall be deemed to be in addition to and not in derogation of the provisions of the Naval Discipline Act and the Naval Discipline (Dominion Naval Forces) Act, 1911.

This clause appears to be capable of two interpretations.

The first interpretation is based upon construing the underlined words as intended to apply a limitation upon the preservation of the existing statutory position; the clause would thus be intended to preserve the present position in respect to the Naval Forces and the members and ships of such forces, but not to preserve the provisions of the existing legislation which confer upon "Visiting Naval Forces" jurisdiction over civilians in the part of His Majesty's dominions in which they are "visiting".

The second interpretation would construe the underlined words as words of inducement and not of limitation, and upon this view the whole of the existing legal position would be preserved, including the continued operation of Sections 6 and 13 of the Naval Discipline Act 1866.

The continued operation of these two sections could not fail to be a matter of concern. The exercise of such an extreme penal jurisdiction by Canadian Naval detachments in other parts of His Majesty's dominions, could not be regarded as proper, and the corresponding exercise of jurisdiction by other naval forces in Canada, would be equally inappropriate. It is the view of His Majesty's Government in Canada that the first interpretation, set forth above, indicates the true intent of the clause. If, however, there is any doubt as to the interpretation of this clause, it is necessary to reserve complete liberty to the Parliament of Canada to deal with the matter, whether or not the legislative basis of His Majesty's Naval Forces in Canada continues to be based upon the Naval Discipline (Dominion Naval Forces) Act, 1911.

I am enclosing, for your information, a copy of a draft Bill, based upon the Draft Dominion Forces Bill, and carrying out the suggestions set forth above. I am also sending corresponding despatches to all of the other Dominions.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

103.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

DESPATCH D. 10 Downing Street, March 29, 1932

Sir,

I have the honour to invite reference to my despatch No. 411 of the 24th July, 1931, and to your despatch in reply No. 404 of the 25th November, 1931, and to state that the Chiefs of Staff have asked me to bring to the notice of His Majesty's Governments in the Dominions concerned the serious falling off in the attendance of representatives of the Dominions at the Imperial Defence College. In 1930 four Dominion officers attended the course; in 1931 this figure fell to three, and in the present year there is only one.

2. It will be recollected that the main object of the Imperial Defence College is to train a body of officers and civilian officials in the broadest aspects of strategy, as affecting the general defence of the Commonwealth. Experience has shown that the College cannot fully carry out this function with only one Dominion representative present. Unless it is found possible for the number of Dominion officers attending to be increased, it is felt that not only will the College fail in its object of creating in every Dominion a nucleus of officers and officials trained in Defence co-operation but the students belonging to the United Kingdom forces, and the College as a whole, will suffer through lack of contact with Dominion views, a point to which the Commandant of the College and the Chief of Staff attach the utmost importance.

3. It is appreciated that financial stringency has no doubt contributed largely to the present situation, and it is recognized that the number of officers of a suitable type that may be available is limited. The Chiefs of Staff would, however, like to point out that there is no necessity to confine representation to officers of the fighting services. Officials of the Civil Service in this country and in India (in addition to one Civil Servant from a Dominion) have already attended the courses with profit to themselves and to the other students, and it is suggested that similar opportunities might well be found of advantage to civilian officials in the Dominions. This would assist in promoting one of the main ends of the College, namely the presence in all parts of the British Commonwealth of officers and others holding high positions who have graduated at the College and have there made the personal acquaintance of those who are likely to hold corresponding positions in other parts.

4. The fact that civilian officials would be welcomed at the College if sufficient military, naval or air officers are not available might, it is thought, enable Dominion Governments to consider further the question of nominations. It is very much hoped that His Majesty's Government in Canada will find it possible to nominate candidates to fill the vacancies available at future courses and thus help to remedy the present position as described in the first paragraph of this despatch.

I have etc.

J. H. THOMAS

104.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 51 London, June 7, 1932

IMPORTANT. His Majesty's Government in the United Kingdom have had under consideration your despatch of the 27th February, No. 71, Dominion Forces Bill. We appreciate the desire of His Majesty's Government in Canada that Bill should not be so drafted as to suggest differentiation between the forces of the United Kingdom and of the Dominions such as is referred to in your despatch, and we are ready to amend draft Bill accordingly. Parliamentary draftsman thinks this could best be effected by the following alterations in draft Bill enclosed in my despatch of the 4th July, Circular A. 111.

(1) Long title to read "A Bill to make provision with respect to the Forces of His Majesty from other parts of the British Commonwealth when visiting the United Kingdom or a Colony; with respect to exercise of commands and discipline when the Forces of His Majesty from the different parts of the Commonwealth are serving together; with respect to temporary attachments of members of one such force to another such force, and with respect to deserters of such Forces".

(2) Reference to the "Dominions" in clauses of Bill to be altered to reference to "part of the Commonwealth to which force belongs".

(3) Instead of existing clause 1 (1) following definition "visiting force" to be inserted in clause corresponding to clause 7, Begins. Visiting force means any body, contingent or detachment of overseas forces which is, with the consent of His Majesty's Government in the United Kingdom, lawfully present in the United Kingdom. Ends.

(4) "Overseas forces" to be defined as meaning Naval, Military and Air Forces of His Majesty raised in the Dominion of Canada, etc., and their respective reserve and auxiliary forces. "Home forces" to be defined as in clause 7 of draft Bill enclosed in my despatch Circular A. 111.

(5) If the above changes were made it is suggested most appropriate short title of Bill would be "The Visiting Forces (British Commonwealth) Bill". As regards clause 6 of Bill intention of words "so far as regards the Naval forces" was to be differentiation not between naval forces and civilians but between naval forces and military or air forces. We appreciate, however, views of His Majesty's Government in Canada that in so far as any question arises of punishment of civilians for offences in respect of discipline of visiting naval forces it would be proper to rely upon provisions of Dominion legislation rather than those of Naval Discipline Act. In practice provisions of Section 6 and Section 13 of that Act have not been invoked for many years and we should be entirely ready for our part to enter into an undertaking as between members of the British Commonwealth. These particular provisions should not be used against each other's civilians in each other's waters. Quite apart from any such undertaking it is, of course, the case that the Canadian Parliament have the power to deal as they wish with these Sections in their application to Canada, and if suggestion for an undertaking is not thought satisfactory separate action by the Canadian Parliament in regard to these Sections would not, it is thought, give rise to any difficulty so far as we are concerned. We hope in these circumstances His Majesty's Government in Canada will be prepared to agree to inclusion of clause 6 in Bill. In that event Parliamentary draftsman thinks clause would best run as follows:

> So far as regards any Naval forces and the members of such force, the provisions of this Act shall be deemed to be in addition to and not in derogation of such of the provisions of the Naval Discipline Act and of any other Acts of Parliament whether of the United Kingdom or of any other part of the Commonwealth as are for the time being applicable to that force and members thereof.

If, however, His Majesty's Government in Canada attach great importance to a modification in the above clause of draft Bill we should, if necessary, be prepared to agree to a modification of clause so as to read "so far as regards relations between Naval Home forces and Naval Overseas forces and the members of such forces, the provisions of this Act shall be deemed to be in addition to and not in derogation of such of the provisions of the Naval Discipline Act and of any other Acts of Parliament whether of the United Kingdom or of any other part of the Commonwealth or of any Order in Council made thereunder, as for the time being regulates those relations". It should, however, be pointed out that a modification of this kind would exclude from saving provisions not only such provisions as those contained in Sections 6 and 13 of Naval Discipline Act but also the other provisions relating to the relations between the naval forces and civil powers which are in practice found to be administratively convenient, and we should therefore be reluctant to adopt this solution unless it were absolutely necessary. It would also be necessary in this event to include a proviso making clear that in the event of vessels or naval personnel of any Dominion being placed at the disposal of the Admiralty as provided in Naval Discipline (Dominion

Naval Forces) Act, 1911, personnel would be subject to the same code as the personnel of the Royal Navy with whom they were serving. This could be effected by insertion of the following proviso in definition of clause "provided that for the purposes of the foregoing definitions, members of any naval forces raised in any part of His Majesty's Dominions shall, while placed at the disposal of the Admiralty or accepted for general service in the Royal Navy (whether together with ship on which they are serving or not), be deemed to be members of a naval force raised in the United Kingdom".

His Majesty's Government in the United Kingdom would be glad to learn views of His Majesty's Government in Canada on above proposals. If possible a reply within next fortnight would be appreciated as we should like to take advantage of an early opportunity for introduction of Bill into Parliament here.

There is a small point in connection with clause 5(2.) of the Canadian Bill enclosed in your despatch. As drafted this clause (following clause 5 (2.) of the United Kingdom Bill) provides for the application of provisions of Bill in relation to visiting forces from the Colonies as they apply in relation to Home forces, i.e., in this case Canadian forces. It would, however, appear that appropriate form of provision in Legislature of a Dominion would be that provisions of Bill should apply in relation to Colonial Forces as they apply in relation to visiting forces of another part of the Commonwealth. As a result of further consideration it is proposed to make certain changes mainly of a drafting character in Bill enclosed in my despatch of the 4th July. Only change of importance is the insertion at the beginning of clause 3 of the following words "The following provisions of this Section shall have the effect with respect to such of the Overseas Forces as His Majesty may by Order in Council direct". Object is to ensure that this clause shall come into operation in relation to forces of any Dominion when that Dominion has made corresponding provision.

This telegram is being repeated to the Commonwealth of Australia No. 54, New Zealand No. 35, Union of South Africa No. 16, Newfoundland No. 28 and the Irish Free State.

105.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 87 Ottawa, June 17, 1932

IMMEDIATE. Your telegram No. 51 of the 7th June, 1932, concerning Dominion Forces Bill. Canadian Government is gratified to learn that you

are concurring in substance with the suggestions made in my despatch No. 71 of the 27th February, 1932. The following observations relating to the numbered paragraphs in your despatch are submitted for your consideration. The matters have been considered from the double aspect, namely, whether the draft forms a satisfactory basis for a Canadian Bill, and also whether its incorporation in your legislation would embarrass the Canadian position.

(1) Long title satisfactory, but it is suggested that the word "temporary" be deleted. (2) Satisfactory. (3) and (4). It is suggested that the word "overseas" is inappropriate to most parts of the British Commonwealth. For example, Newfoundland is not overseas in relation to Canada and a Free State force is not overseas in relation to the United Kingdom. By eliminating the word "overseas" and reading "a force from another Part of the British Commonwealth" the definition of overseas forces could be avoided. If more precision is desired, it might read "other naval, military or air forces of His Majesty, raised in the Dominion of Canada, etc." (5) The short title is satisfactory.

With regard to clause six I do not think that the formal undertaking is desirable or necessary. It is clear that there is no misunderstanding as to the proper course to be followed in dealing with the difficult problems involved in Sections six and thirteen of the Naval Discipline Act. The difficulties can be obviated by instructions from each government to its own naval force and, if any conflict arises in future, it will be open to the Parliament of Canada, or to any of the other parliaments, to deal with the situation. With regard to the suggested clause, it seems to be satisfactory in form, although I am not clear as to why the reference to the 1911 Act has been dropped.

It may be pointed out that doubts still exist as to the necessity for this clause and, further, its retention suggests that the provisions made in the first five clauses of the Bill for all three services are inadequate to deal with all the problems that will arise. If these clauses are inadequate it is desirable that they should be strengthened in order that any measure for co-operation preserved in relation to naval matters by clause 6 should be available to all three services. The Canadian Government realizes, however, that time may not permit the consideration of the possibility of the deletion of clause 6 and that, consequently, it might be preferable to substitute the first draft suggested by the Parliamentary Draughtsman in your telegram. It is the present intention to incorporate a clause along the same lines in the Canadian Bill. It is of course understood that it will be open to the Parliament of Canada either to omit this clause or to repeal it after it has been enacted and in that event it may be necessary to rely upon the provisions of the first five clauses of the Bill as enacted in Naval as well as in Militia and Air Force matters.

I desire to thank you for bringing to my attention the drafting point relating to Clause 5 (2) of the Canadian Bill.

106.

Le secrétaire aux Dominions par intérim au Premier ministre
Acting Dominions Secretary to Prime Minister

SECRET [London,] July 28, 1932

My dear Prime Minister,

In Mr. Thomas' absence, I am enclosing copies of certain papers which have been circulated to the Committee of Imperial Defence, viz:

(*a*) an annual review for 1932 of the Chiefs of Staff Sub-Committee, and a note[1] by the Treasury on it;

(*b*) a further report by the Chiefs of Staff Sub-Committee on the situation in the Far East;[1]

together with covering notes by the Secretary to the Committee of Imperial Defence as to the Committee's conclusions regarding the reports.

The annual review is one prepared in pursuance of the policy described in Mr. Amery's letter of the 19th December, 1928, to Mr. Mackenzie King with regard to a hypothesis on which the annual estimates of the fighting services in this country were to be framed. You will see that this year the Sub-Committee of the Chiefs of Staff have given special consideration to that hypothesis and their recommendations are contained in paragraph 40 of their Report.

I should make it clear that these papers (which, as will be appreciated, are of special secrecy) have not yet reached final consideration and approval of the Cabinet.

Yours very truly,

SANKEY C.

[PIÈCE JOINTE/ENCLOSURE]

SECRET Whitehall Gardens, July 15, 1932

COMMITTEE OF IMPERIAL DEFENCE IMPERIAL DEFENCE POLICY

ANNUAL REVIEW FOR 1932 BY THE CHIEFS OF STAFF SUB-COMMITTEE

Note by the Secretary

The attached Annual Review of Imperial Defence Policy for 1932 by the Chiefs of Staff Sub-Committee (C.I.D. Paper No. 1082-B), together with a note by the Treasury on this Annual Review (C.I.D. Paper No. 1087-B),

[1] Non reproduits. [1] Not printed.

were considered by the Committee of Imperial Defence at a meeting held on the 22nd March, 1932, when the following conclusions were recorded:—

The Committee of Imperial Defence agreed—

I. To accept the following conclusions contained in paragraph 40 of the Chiefs of Staff Annual Review for 1932 (C.I.D. Paper No. 1082-B):

(*a*) That the assumption governing the Estimates of the Defence Services, that from any given date there will be no major war for ten years, should be cancelled.

(*b*) That a start should be made in providing for commitments which are purely defensive, including the defence of bases. First priority should be given to requirements in the Far East, on which we are submitting a separate report.

(*c*) That a decision should not be delayed until the results of the Disarmament Conference are known. Recent events in the Far East are ominous. We cannot ignore the Writing on the Wall.

II. That the Annual Review, together with the above Minute, should be referred for the consideration of the Cabinet.

2. This Report and Note have received preliminary consideration by the Cabinet of the United Kingdom. The subject was found to be closely connected with that of disarmament, and final decisions were postponed pending further progress at the Disarmament Conference.

M. P. A. HANKEY

107.

Le secrétaire aux Dominions par intérim au secrétaire d'État aux Affaires extérieures

Acting Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 74 London, July 29, 1932

Your telegram 17th June, No. 87, Visiting Forces Bill. We have now further considered drafting of Bill in the light of your telegram.

As regards Clause 6 we appreciate very much readiness of His Majesty's Government in Canada to meet our views. We still feel for reasons indicated in my telegram of the 7th June, No. 51, and previous correspondence that it would be preferable to retain some such clause and in view of your telegram we are including first form of clause set out in my telegram 7th June.

As regards other points dealt with in your telegram we are making the following amendments:

(*a*) Word "temporary" in Long Title is being omitted;

(*b*) Definition "Overseas Forces" and references thereto are being omitted.

Instead definition "Visiting Forces", see (iii) my telegram 7th June, is being amended by the substitution for words "Overseas Forces" of words "Naval, Military and Air Forces of His Majesty raised in the Dominion

of Canada, Commonwealth of Australia, Dominion of New Zealand, Union of South Africa, Irish Free State or Newfoundland".

(*c*) Similar substitution for words "Overseas Forces" is being made at the beginning of Clause 3 (see last paragraph of my telegram 7th June) and a similar definition "Forces other than Home Forces to which this section applies" is being inserted at the beginning of Clause 4.

Text of Bill incorporating the various amendments had been prepared and we had hoped to have had an opportunity of introducing Bill before the end of last Session but pressure of other business made this impossible. We hope however that it will be possible to secure passage of Bill at the earliest opportunity in the next Session of Parliament.

Copies of Bill follow by post. This telegram is being repeated to the Commonwealth of Australia, No. 72, New Zealand, No. 54, Union of South Africa, No. 31, Newfoundland, No. 36, and to the Irish Free State by bag.

108.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 270 Ottawa, September 16, 1932

Sir,

I have the honour to inform you that Wing Commander C. M. Croil, A.F.C., Royal Canadian Air Force, has been selected by His Majesty's Government in Canada to attend the next course at the Imperial Defence College commencing about the middle of January, 1933.

It is regretted, however, that it will not be possible to take advantage of the second vacancy reserved for Canada at this course.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

109.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 159 Ottawa, October 29, 1932

My despatch No. 270 September 16th Canadian representatives Imperial Defence College. If second vacancy still available Minister of National Defence would select Commander Percy W. Nelles, Royal Canadian Navy, to fill it. Should be grateful for early reply.

110.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 122 London, November 2, 1932

Your telegram 29th October, No. 159, Imperial Defence College. Nomination of Commander Nelles to fill second vacancy will be welcomed.

111.

Le secrétaire d'État par intérim aux Affaires extérieures
au secrétaire aux Dominions
Acting Secretary of State for External Affairs
to Dominions Secretary

DESPATCH 189 Ottawa, September 18, 1934

SECRET

Sir,

I have the honour to refer to the opinion expressed in the Admiralty Memorandum (Secret E. (30) 5), prepared for the Imperial Conference of 1930 on the Naval Policy of the British Commonwealth of Nations, Section IX, paragraph 30 and Appendix II thereof, paragraph 6, to the effect that the destroyers *Champlain* and *Vancouver* should be scrapped by the 31st December, 1936, and to inquire whether or not the Admiralty is still of the opinion that this action is necessary.

I have etc.

LAURENT BEAUDRY
for Acting Secretary of State
for External Affairs

112.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

DESPATCH 445 Downing Street, November 14, 1934

SECRET

Sir,

I have the honour to acknowledge the receipt of your secret despatch No. 189 of the 18th September and to state that the Lords Commissioners

of the Admiralty take the view that the Naval Conference of 1935 may well lead to modifications of the provisions of the London Naval Treaty of such a nature as to render unnecessary the scrapping of His Majesty's Canadian Ships *Vancouver* and *Champlain* before the 31st December, 1936, and to make it desirable that these vessels should be kept seaworthy after that date until replaced by new construction.

2. The Lords Commissioners would therefore welcome an opportunity of consulting further with the Canadian authorities on this matter at a later stage, when the probable results of the Conference of 1935 can be more clearly estimated but they would suggest that in the meantime it would be desirable to proceed on the assumption indicated in the preceding paragraph.

I have etc.

J. H. THOMAS

113.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 154 Ottawa, June 5, 1935

SECRET

Sir,

With reference to my telegram No. 44 of the 4th June, 1935, and your despatch No. 431 of the 3rd November, 1934, marked Secret, concerning cooperation between the Royal Canadian Air Force and the Royal Air Force, I have the honour to inform you that the Defence Council have considered the suggestions of the Air Council for an arrangement on the lines of the arrangement at present in force between the Royal Air Force and the Royal Australian Air Force. The views of the Defence Council may be stated as follows:

2. The benefits to be derived by Canadian candidates for short service commissions in the Royal Air Force from the inception of such a scheme are apparent but the special arrangements suggested between the Royal Canadian Air Force and the Royal Air Force to make the scheme operative are dependent on a financial commitment being undertaken by His Majesty's Government in Canada for the flying training of a Reserve for the Royal Canadian Air Force. The Royal Canadian Air Force has undertaken this form of training to a very limited extent in the past and the Defence Council feel that the same modest efforts should continue. They consider that the scheme is acceptable on the division-of-cost basis suggested in paragraph 5 of your despatch under reference, providing His Majesty's Government in the United Kingdom are satisfied to have the flying training of Canadian candidates conducted on such types of aircraft as the Royal Canadian Air

Force may be able to provide for this purpose. A revision of the cost basis would be necessary if candidates were expected to be trained on modern service type aircraft.

3. The Defence Council are aware that two advantages are enjoyed by Canadian candidates for short service commissions under the present scheme whereby they report to the Royal Air Force for flying training which have been eliminated or reduced in value under the arrangements set out in the memorandum enclosed with your despatch under reference. They refer to a candidate's service being allowed to count towards the period required for promotion to the rank of flying officer from the date he joins the Royal Air Force for flying training and the outfit allowance of £50 made to candidates on first appointment to a commission.

4. The regulations of the Royal Canadian Air Force do not provide for cadetships. All candidates accepted for flying training are appointed as pilot officers (provisional) similar to the practice followed in the Royal Air Force when candidates are granted short service commissions on acceptance for flying training. The Defence Council suggests that if equivalent training and service to that performed in the Royal Air Force during an *ab initio* flying training course is undertaken by a candidate in the Royal Canadian Air Force before joining the Royal Air Force, this period of the candidate's service should be treated as Royal Air Force service for the purposes of promotion to the next higher rank.

5. Provisional pilot officers in the Royal Canadian Air Force are issued with a uniform somewhat similar to an airman's during preliminary training which is withdrawn on the completion of the course. They will have to provide themselves with a complete new outfit on reporting to the Royal Air Force. The Defence Council desire to suggest that the usual outfit allowance of £50 made to a candidate on first appointment to a short service commission in the Royal Air Force be included as part of the proposed arrangement.

6. Enclosed herewith is a memorandum[1] giving the details of the arrangement for the grant of short service commissions in the Royal Air Force to provisional pilot officers of the Royal Canadian Air Force on completion of their flying training, incorporating the proposals made in the foregoing paragraphs. If the modified arrangement is acceptable, the Defence Council can make it effective from the 1st January, 1936, the first 15 officers to complete flying training by the end of that year, with the proviso that after fair trial the scheme may be subject to review if deemed expedient by the Air Council or Defence Council.

His Majesty's Government in Canada are prepared to accept an arrangement on the lines indicated above.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

[1] Non reproduit.

[1] Not printed.

114.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 138 London, June 22, 1935

SECRET. Your telegram No. 111 of the 8th June. Have received following communication from the Admiralty. Begins. The Admiralty consider that the most suitable destroyers would be *Crescent* and *Cygnet*. These are "C" type and very similar to *Saguenay* and *Skeena*, so that Canada would have a homogeneous half flotilla. The two destroyers were completed April 15th and April, 1932 [*sic*], and the cost £272,343 and £276,860 respectively. Official life of a destroyer, as you know, is 16 years, but we envisage that we shall have to retain destroyers for a further period. Therefore we consider that it is reasonable to take life of a destroyer at 20 years. On basis of 20 years and an annual depreciation of 5%, cost of two ships would be *Crescent*: ship £229,222, armaments and stores (present estimated value) £51,215. *Cygnet*: ship £232,447, armaments and stores £51,215. Total £564,099 say £564,000. We reckon cost to build a new destroyer of that type today would be £362,000, so that on above basis advantage to Canada of taking over two "C's" as against building two new ships would be £160,000 i.e. they would spend £564,000 against £724,000.

Between price quoted above for a new destroyer and that quoted in our official letter No. M.F. 1353-35, March 14th, there is a discrepancy of £3,000, due to inclusion of a 3 inch gun in latter figures. Ends.

115.

L'Amirauté au quartier général de la Marine
Admiralty to Naval Service Headquarters

TELEGRAM 565 London, September 13, 1935

SECRET. When ordered by Signal following "Control Shipping" message is to be broadcasted to Merchant Ships in all areas in accordance with Notices to Mariners 725 and purport of message passed to Reporting Officers with instructions to hand copies to Masters of British Merchant Ships in port. Message begins. Admiralty has assumed control movements British Merchant ships. Organisation for Official Wireless Messages described in Notice to Mariners No. 725 is now in force in areas 1, 2(?), 3, 6 and 7. Area bound by longitude 6° East and 21° East in the Mediterranean is closed to British shipping. All Italian ports are closed to British shipping. Through Mediterranean shipping is to be diverted (either?) via Cape of Good Hope or Panama

Canal. Additional bunker facilities will be available at South African ports. All ships not passing through the Mediterranean are to maintain their normal routes. Ends.

Foregoing message replaces W list messages numbered 19 and 20 which will not be sent.

116.

Le quartier général de la Marine à l'Amirauté
Naval Service Headquarters to Admiralty

TELEGRAM [Ottawa,] September 20, 1935

SECRET. Your 565, 566, 570, 571 are noted. Is phrase British shipping used in 565 intended to include Canadian shipping? You doubtless realise that measures referred to in these messages involve important question of policy, which, so far as we know, has not yet been determined by Canadian Government. In this connection it is perhaps desirable to recall the basis upon which, during post-war years, we have been authorised to cooperate in peace time on certain details. We understand that in the view of the Canadian government the studies that have been made and the communications relative thereto were meant to facilitate cooperation in the event of the Canadian government deciding at any time to cooperate in precautionary or war-like measures. It follows that decision as to necessity of or method of executing any specific measure would be for the Canadian government to make.

117.

L'Amirauté au chef de l'État-major naval
Admiralty to Chief of Naval Staff

TELEGRAM [London,] September 24, 1935

SECRET. Your 1801 20th September. Authority underlying control of shipping referred to in Admiralty Message No. 565 rests upon War Risks Insurance Scheme, which would not apply to ships registered in Canada, unless desire to this effect were expressed by Canadian Government. Hence in the case of shipping not registered in United Kingdom the signal amounts to no more than advice in the interest of safety of ships concerned. It is of course fully understood that decision as to putting into force of any measures provided for in War Book rests so far as Canada is concerned with Canadian Government.

118.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

DESPATCH 486 Downing Street, November 28, 1935

SECRET

Sir,

With reference to your Secret despatch No. 154 of the 5th June, I have the honour to state that the Air Council have noted with satisfaction that His Majesty's Government in Canada accept in principle the proposals made in my predecessor's Secret despatch No. 431 of the 3rd November, 1934, regarding the grant to Canadian candidates of short service commissions in the General Duties Branch of the Royal Air Force.

2. As regards the observations in paragraph 2 of your despatch, the Air Council are prepared, at any rate at the present juncture, to accept pilots trained on the types of aircraft with which the Royal Canadian Air Force is equipped and they understand that, in these circumstances, the division of cost basis which has been suggested is acceptable to the Canadian Government. The Council may find it necessary at a later date to review the question of training pilots on more modern types of aircraft but they note that should this be decided the Canadian Government may find it necessary to suggest a revision of the cost basis.

3. As regards the proposal made that service as a pilot officer in the Royal Canadian Air Force should count towards the period of service required for promotion to flying officer in the Royal Air Force, the Air Council desire to explain that candidates granted short service commissions in this country are appointed first as *acting* pilot officers and that they serve as such for twelve months after which they are graded as *pilot* officers. They serve from 18-21 months as pilot officer before qualifying for promotion to flying officer. The Canadian cadets under the proposals made by the Air Council, when granted short service commissions in the Royal Air Force, would be appointed as pilot officers from the beginning and would, therefore, be at no disadvantage compared with candidates trained in this country. The Council trust that, in the light of the explanation given, the Canadian Government will agree that the interests of Canadian Cadets will be fully met.

4. The Air Council have considered the suggestion that the uniform grant of £50 which is normally made to short service officers on appointment should also be made to Canadian cadets on appointment. They agree that in the circumstances disclosed, a grant of £25 would be inadequate and are prepared to apply the normal grant of £50.

5. It is understood that it is proposed that Royal Air Force uniform with minor modifications will be worn by ex-short service officers on return to

Canada during non-permanent or reserve service. The Air Council would be glad to be informed in due course what modifications are proposed in this respect.

6. A copy of the memorandum setting out the conditions governing the grant of short service commissions to Canadian cadets as revised by the Canadian Government and modified in accordance with paragraphs 3 and 4 above is enclosed.[1] The terms of this memorandum are acceptable to the Air Council and I should be grateful if I might receive in due course, for communication to the Air Council, confirmation that the scheme will be made effective from the 1st January, 1936, the first fifteen officers trained under the scheme proceeding to this country a year later.

7. It was suggested in my predecessor's Secret despatch No. 431 of 3rd November, 1934, when the scheme discussed above was first proposed, that with the introduction of this scheme the existing arrangement under which candidates for short service commissions are recommended for interview and medical examination in this country should come to an end. The Air Council understand that, following the announcement of the expansion of the Royal Air Force made in May last, a considerable number of enquiries have been received from young men in Canada with a view to their obtaining short service commissions in the Royal Air Force and they have therefore considered the possibility of making arrangements for the entry of suitable candidates from Canada, additional to those dealt with in the preceding paragraphs, which would obviate the risk of a candidate being put to unnecessary expense through rejection in this country. With this end in view they are prepared for the time being to accept for appointment to short service commissions a maximum of twenty-five candidates a year who would be finally selected in Canada. The broad basis of the arrangement, which would be subject to review in the light of Royal Air Force requirements from time to time, would be that candidates who are eligible under the regulations governing these appointments and medically fit would be recommended to the Air Council, within the maximum specified, by the Senior Air Officer of the Royal Canadian Air Force for appointment to short service commissions. They would be accepted without further interview or medical examination under the regulations current at the time and would receive instructions as to when and where they should join for duty, the journey to this country being made at their own expense as at present. I should be glad to learn whether this proposal is acceptable in principle to His Majesty's Government in Canada. If so, it is suggested that details of procedure and the standard (including medical standard) to be set should be arranged direct between the Air Ministry and the Senior Air Officer of the Royal Canadian Air Force.

I have etc.

MALCOLM MACDONALD

[1] Non reproduit.

[1] Not printed.

119.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 274 London, December 6, 1935

SECRET. Following from Chief of Naval Staff of Canada for Department of National Defence. Begins. The Admiralty have had under consideration replacement of *Champlain* and *Vancouver,* but before taking any action Admiralty must be in possession of an official statement with regard to conditions acceptable to Canadian Government, that is to say whether conditions as set forth in High Commissioner's telegram No. 138, Secret, of the 22nd June, 1935, addressed to Department of External Affairs are still unacceptable to the Canadian Government and whether Canadian Government will bear cost of refitting and docking of two C. Class destroyers. It would appear probable, if cost of refitting and docking is borne by Canada, that transfer would be agreed to on similar conditions as in the case of *Vancouver* and *Champlain.* In any case the matter has to receive the approval and concurrence of the Treasury. The cost of normal annual refitting and docking of each destroyer is estimated to be £8200. If (asdics?) are to be fitted estimated additional cost of each destroyer £3300. Early decision would be appreciated. Ends.

120.

Décret du Conseil
Order in Council

P.C. 3876 December 23, 1935

The Committee of the Privy Council have had before them a report, dated 11th December, 1935, from the Minister of National Defence, representing that the question of replacing H.M.C.S. *Champlain* and H.M.C.S. *Vancouver,* on loan to the Canadian Government from the British Government, urgently requires consideration;

That the remaining useful life of these ships is estimated at two years, and during the latter part of this period major defects may develop;

That these two ships can be replaced in one of the following ways:

1. Construction of two modern destroyers at an estimated total cost of $4,000,000;

2. Purchase of two C-Class destroyers, completed in 1932, from the British Government at an estimated cost of $2,900,000;

3. The loan from the British Government of two C-Class destroyers of the Royal Navy, under the same terms as applicable to the loan of H.M.C.S. *Vancouver* and H.M.C.S. *Champlain*; the estimated cost of fitting out for the Royal Canadian Navy being $115,000.

That in view of present financial conditions, alternative No. 3 is preferable;

That H.M.C.S. *Vancouver* and H.M.C.S. *Champlain* since their loan in 1928 have been to all intents and purposes men-of-war belonging to the Canadian Government, it being necessary to mention only two conditions in this respect—

1. The Canadian Government are responsible for the return of these ships to England on the termination of their service in reasonable condition;

2. These ships must be available for return to the Royal Navy, if required, in an emergency.

That neither of these conditions has caused difficulty or unduly large expense.

The Minister, on the advice of the Deputy Minister of National Defence, recommends that the British Government be asked to loan to the Canadian Government, two C-Class destroyers of the Royal Navy; the loan to be under the same conditions as those under which H.M.C.S. *Vancouver* and H.M.C.S. *Champlain* were loaned.

The Minister observes that the total estimated expense involved is as follows:

Cost of fitting up	$115.000.
Annual additional expense involved to cover increased complement of 72 additional ratings required	$162,000.

The Committee concur in the foregoing recommendation and submit the same for approval.

PARTIE 3/PART 3

RÉUNIONS DES PREMIERS MINISTRES DU COMMONWEALTH, 1935[1]

MEETINGS OF COMMONWEALTH PRIME MINISTERS, 1935[1]

121.

Extraits des notes des réunions des Premiers ministres

Extracts from Notes on Meetings of Prime Ministers

SECRET

First Meeting April 30, 1935

. . .

Attendance of Dominion High Commissioners

MR. THOMAS said that it had been suggested that it might be convenient if the Dominion High Commissioners in London were enabled to be present at

[1] Les documents portant sur la convocation de ces réunions se trouvent au chapitre I avec ceux qui se rapportent au jubilé.

[1] The documents on arrangements for these meetings are to be found in Chapter I in connection with plans for the Jubilee Celebrations.

these meetings. New Zealand was not represented at the present meeting since the Prime Minister had not arrived, but it had not been thought possible to invite the High Commissioner to represent him without knowing the wishes of the other Prime Ministers. It had also been pointed out that Mr. Bruce was the regular representative of Australia on the Council of the League of Nations, and it might be convenient, therefore, that he should be present at the discussions on the international situation. He suggested that it might be agreed that if a Dominion Prime Minister wished to bring his High Commissioner with him that would be quite acceptable.

(This was agreed.)

Circulation of Memoranda

MR RAMSAY MACDONALD said that three memoranda had been prepared dealing with the following subjects:

(i) Naval Limitation and the Prospects of a Naval Disarmament Conference.

(ii) The situation in the Far East.

(iii) A Report by the Chiefs of Staff on Imperial Defence Policy.

He proposed, if it were agreed, that these memoranda should be circulated to the Dominion Prime Ministers for information.

(This was agreed.)

General Discussion on the International Situation

MR. RAMSAY MACDONALD said that the object of the meeting was an informal exchange of views on affairs in which all those present were directly or indirectly interested, if not involved. The United Kingdom representatives were there to supply all the information that they could; if more were wanted, they would do their best to supply it. It had been the custom at meetings of this kind that the United Kingdom representatives should make a general statement on the international situation, and they were prepared to do so now; Sir John Simon was present. There were a number of events of special importance which had recently occurred on which he thought that a statement by Sir John Simon would be useful.

SIR JOHN SIMON said that there was one big event in the last year or two in which the Dominions were directly interested as Members of the League, namely, the notice of withdrawal from the League given by Japan and Germany. Japan's notice had already expired and her place at the Council of the League was now filled by Soviet Russia; the German notice expires in October next.

As regards the general European situation, the withdrawal of Germany from the Disarmament Conference had mutilated the Conference, and her absence from this Conference and from the League had made it necessary to devise all sorts of efforts to keep in touch with her.

. . .

MR. RAMSAY MACDONALD said that the whole situation was very troublesome, and, in particular, the German declaration about submarines was psychologically upsetting.

He thought that at Stresa there were two important objects achieved.

(i) The United Kingdom kept in union with France and Italy at a time when any rift would have made the situation exceedingly dangerous;

(ii) France and Italy were prevented, either separately or together, from creating a diplomatic situation in which the United Kingdom could not pursue a policy of keeping contact with Germany without departing from an arrangement made with France and Italy. The United Kingdom representatives went to Stresa prepared, if necessary, to pay some price, but this was not necessary, and they left without undertaking any new commitment.

In his view, the serious action of Germany was not so much the breach of the Versailles Treaty, though that was bad and could not be overlooked, but the fact that after the London Declaration, which made it clear that it was the intention to negotiate Germany out of Part V of the Versailles Treaty, and while attempts were being made, and had to some extent succeeded, towards the restoration of mutual confidence, at that very moment Germany made a Declaration which destroyed the peace psychology, and introduced armament figures which upset the whole basis of quantitative limitation. This upset the whole negotiation, and brought matters back to the beginning again in a darkened sky.

In his view, it was necessary for the United Kingdom to take steps to secure the defence of this country; it was impossible to stand by and do nothing while those dangers were threatening. At the same time, the United Kingdom must not allow itself to be pushed into a position of entering into a system of military alliances for the defence of Europe.

. . .

MR. BENNETT said that there were two points which had been much talked of in Canada which at some stage he would like to raise. The one which he would mention at this stage took the form of a question whether Germany still contended that there had been a breach on the part of other signatories to the Versailles Treaty, of fundamental conditions, so that the Treaty could no longer be regarded as binding.

SIR JOHN SIMON said that during the conversations in Berlin this contention had not been advanced. He thought that from a lawyer's point of view (though, admittedly, in a case of this kind too much importance should not be attached to that aspect) the German case was unfounded. But the substance of the German case was that expectations had been raised, and from the moral aspect there was some plausibility in their contention. Hitler had drawn a clear distinction between immoral bargains and other bargains freely entered into, and he had placed Part V of the Versailles Treaty in the former category.

MR. CHAMBERLAIN suggested that the French reply would be that they would have fulfilled their obligations if they had ever been satisfied that Germany had had the intention of carrying out the Versailles Treaty but that they had never been satisfied that Germany had disarmed.

MR. THOMAS suggested that this was not merely the French contention, but was, in fact, true.

. . .

122.

Extraits des notes des réunions des Premiers ministres
Extracts from Notes on Meetings of Prime Ministers

SECRET

Second Meeting May 7, 1935

. . .

Continuation of discussion on the international situation

3. [MR. RAMSAY MACDONALD] He . . . then suggested that it would be in accordance with the arrangement reached at the end of the last meeting if the Secretary of State for Foreign Affairs made a statement regarding the Far East. He reminded the meeting that all the conversations between Prime Ministers were of the most strictly private character, and asked that those present would be very careful to say nothing to the press as regards what passed between them.

SIR JOHN SIMON drew attention to the memorandum which had already been circulated regarding the Far Eastern situation (P. M. (35) 2). This, he thought, gave a clear conspectus of the position in general terms . . . .

As regards the United States of America, Sir John Simon thought it possible and necessary to demonstrate our intention and ability to preserve good relations with both the Chinese and the Japanese without giving any grounds of offence to the United States. He was, of course, aware that in some quarters here there was regret at the termination of the Anglo-Japanese alliance.

The strenuous efforts of the United Kingdom to get a renewal of the Naval Treaty had so far proved fruitless, and the Japanese would shortly be free to build what they liked. The United Kingdom had proposed a system of declared programmes and this had met with a friendly reception on the part of Japan, without, however, any concrete results. As the memorandum which had been circulated suggested, there was a doubt whether any effective moderate party could be said to exist in Japan to-day. It was accordingly most desirable to ensure that Japan should realise that we intended to remain

in good relationship with the United States, and the naval discussions which took place last year in London had shown that it was possible to deliberate in a perfectly friendly way with Japanese and United States representatives on alternate days.

Nevertheless, he would be the first to admit that the real anxiety in the Far East in the strategic sense centred in Japan, though suggestions that the Japanese were, for example, obtaining controlling interests in the Netherlands East Indies were supported by evidence of a vague character only. He would welcome Dominion views from the rather different angles from which the interested Dominions were bound to regard the problem. The true foci of the matter, as it appeared to the United Kingdom were these:

There were the four elements—Japan, China, Russia and the United States, and we could not afford to make a friend of one at the expense of the others. There was also the question of defence in the Far East and the preservation of our trading interests. Diplomatic relations between the United Kingdom and Japan were very good, even over the troubles of Japanese commercial expansion: the Japanese fully appreciated our intention to keep on terms with the other countries mentioned as well as with them. Our relations with the United States were also at the moment very satisfactory.

. . .

MR. BENNETT said that Canada had so far been very free of economic difficulties with Japan, though such were beginning to be felt in the United States. It was not true that Japan had recently made representations to Canada against the Ottawa agreements. Canada, on the other hand, was greatly interested in the Japanese problem in the sense that she had in British Columbia a long seaboard, and that, speaking frankly, Canada was in no position to maintain neutrality in a conflict between Japan and the United States. There was evidence, though not of any very definite character, of Japanese investigation of Canadian fishing ports as possible bases, e.g., for submarines.

In some ways Canada's relations with the Japanese had always been somewhat unfortunate. A number of Japanese had settled in British Columbia, and had become British subjects. By their industry they had acquired a big influence in the fishing and canning industries, and tended to drive the British citizen out of the trade. Owing to their continued liability to military service in Japan they had, though British subjects, been refused the power of voting, and this had naturally created difficulties. The Japanese Minister at Ottawa had now recently announced the abandonment of all claims on the services of these individuals.

The balance of trade was much against the Japanese in Canada. In particular, they made large purchases of wood pulp, but, without any form of restriction, Japanese competition might well swamp many Canadian industries in wooden, cotton and rubber goods. Moreover in certain parts of Canada, the Japanese population, originally derived from Japanese volunteers

in the Canadian forces during the war who had subsequently proved excellent settlers, was largely on the increase. The Canadian endeavour was to maintain friendly relations with the Japanese, and, in so far as the Japanese and the United States were antipathetic and the Canadians were not always drawn to the latter, they were the more inclined to friendly feelings towards the former.

. . .

SIR JOHN SIMON said the particular questions of the Polish Corridor, the return of colonies and so on, raised acute special problems. He felt that the main issue was the general course to be followed in relation to all these matters. The rôle of this country in connection with the Treaty of Versailles had throughout been that of conciliator, and in the history of post-war treaty relations this country had always taken the lead, for example, in such matters as the abolition of reparations, the evacuation of the Rhineland, the entry of Germany to the League with a permanent seat on the Council, and so on. But on the other side, if our object was to bring Germany into a general settlement, it was absolutely necessary to secure the co-operation of France and Italy. It would be seen from the Berlin conversations that Herr Hitler had warmly recognised the efforts made by this country as conciliator, and had suggested special arrangements between Germany and this country. His (Sir John Simon's) reply had been that the policy of this country was to secure equal co-operation between all in a general settlement.

In his view what happened at Stresa, so far from marking a new departure, had strictly followed the course set before; they had repeated the London declaration and had once again invited Germany to make her contribution to the cause of settlement. He thought it was unfair to suggest that this country was led by France. For example, in spite of the difficulties caused by the German announcement of conscription and the dislike of France of the proposed visit to Berlin, the Government here, after earnest consideration, had decided to make the visit.

The next important stage was that on or about the 15th May it was understood to be Herr Hitler's intention to make a foreign policy declaration, and in the speeches made by the Prime Minister and himself in the House of Commons debate last week they had had to bear this carefully in mind throughout. In conclusion he wished to say once again that he felt confident that what happened at Stresa had not really compromised the issue.

MR. BENNETT said that the questions to which he had devoted himself were to what extent has the foreign policy of the United Kingdom affected the Dominions, and how far did it meet with general approval in the Dominions. The main issue on which opinion in the Dominions would require to be satisfied was, had the policy of the United Kingdom been directed to securing lasting peace. While he thought that there might possibly be some ground for criticism over the delay which had occurred, it seemed to him that Great Britain had been endeavouring to secure equality for Germany and

the removal of Part V of the Treaty of Versailles. Moreover, Great Britain had disarmed almost to the point of insecurity, both at sea and on land. In his view no country had given such an example both in disarmament and in the desire for peace. He, therefore, thought that the general principles of the policy of Great Britain should recommend themselves to opinion in the Dominions. As regards the question of colonies and the other matters to which General Hertzog had referred, he thought they could best be looked upon as matters of detail to be settled when Germany had clearly indicated her intention of acting in concert with other nations in the cause of peace.

. . .

It was agreed that the meeting should adjourn and that the discussion should be resumed at an early date.

123.

Extraits des notes des réunions des Premiers ministres
Extracts from Notes on Meetings of Prime Ministers

SECRET

Third Meeting May 9, 1935

. . .

Departure of Mr. Bennett

MR. MACDONALD then expressed regret on behalf of the meeting that it was necessary for Mr. Bennett to return to Canada the following day. Such meetings as the present one were much too few and far between. It had been a special pleasure to all of them that Mr. Bennett had been able to come to this country, and he was very glad to learn that Mr. Bennett's doctor had given him a more favourable report.

MR. BENNETT said that he was deeply grateful for all the kindness which the Prime Minister of the United Kingdom and his colleagues and the people of the country had shown him. He was glad to say that, while his doctors were impressing on him the need not to do too much, they had given him a clear certificate so far as any organic disease was concerned.

The international situation

He then said that he had never left this country with a greater sense of fear about the safety of the heart of the Empire. He could not help feeling that with the European situation as it was today, the United Kingdom was unprepared. With all the magnificent outpouring of loyalty which had so impressed them all in the last few days, he felt a genuine foreboding as to the future and a deep sympathy for those responsible for the government of the United Kingdom. He could not ignore the accounts which were abroad

about the aircraft of other nations, and he could imagine only too well what prizes the oversea Dominions would represent to a hostile Power. He wished the Ministers in this country well in their efforts to make the people understand the gravity of the situation.

MR. RAMSAY MACDONALD said that Mr. Bennett's remarks were really helpful, and he wished to assure him and the representatives of the other Dominions that they would all be kept in touch with the progress and development of the situation.

. . .

MR. MENZIES then asked for information as regards the present dispute between Italy and Abyssinia. He felt that there was serious danger of difficulties being created in respect of the League of Nations, and, further, that any embroilment of Italy would encourage Germany in her Austrian ambitions. He was not asking for any declaration of policy, but merely for such further information as might be available beyond what was already common property.

SIR JOHN SIMON said that the conclusion which the Government of the United Kingdom drew was that there was grave danger of serious Italian developments in Abyssinia. The general impression at Geneva was that Italy was in no hurry to push conciliatory methods to a conclusion. She had not yet appointed conciliators, and would not be hurried. Meanwhile, the Italians were sending large supplies and contingents of men to the Italian Colonies south of Abyssinia, but the reports of incidents were, as usual, difficult to check from either side. The Abyssinians were unfortunately weak so far as the Geneva platform was concerned, and had not yet learnt to conduct their propaganda well. Within the last week the Italian Ambassador had conveyed a strong impression to him that Italy contemplated serious operations in Abyssinia, not at once, but perhaps in October when the rainy season came to an end. On our side we had represented strongly that the United Kingdom was a free country, and that opinion here would be gravely disturbed if Italian action were pushed to an extent which could be interpreted as aggression. The Italians would have to reckon, not merely with the Government of the United Kingdom, but with the feelings of the British public. We had also entered a strong plea that conditions were far too difficult in Europe for any great country to get herself involved. How much influence we had with the Italians he did not know, but we had also approached France, which he thought might also take the same view. He had a slight impression from contacts at Stresa that Signor Mussolini felt that he had a fairly free hand so far as France was concerned in Abyssinia, and the attitude of France was, of course, important in view of her ownership of the railway to Jibuti. At any rate, it could truthfully be said that we were using all the influence we had.

MR. BENNETT deplored the impotence of the League of Nations in such a question as the present Abyssinian difficulty.

SIR JOHN SIMON agreed. He said that the United Kingdom would use the lever created by the Stresa Conference so far as possible, and he was also, of course, in full agreement with Mr. Menzies that one aspect of the European problem, *i.e.,* Austria, would be immediately affected once Italy became locked up in Abyssinia.

MR. RAMSAY MACDONALD said that he desired to emphasise the great concern which this question was giving Ministers in this country.

He then asked that all present would refresh their memories as to the principles laid down in 1930 in regard to the conduct of foreign policy by the members of the British Commonwealth. That understanding was the operating agreement by which the United Kingdom worked. He said that it was the endeavour of the United Kingdom to carry out the principles of the agreement faithfully, and to maintain the fullest contact with Dominion Governments. In so far as the progress of foreign affairs was reported to Dominion Governments and no objection was taken to the policy pursued, agreement generally on the part of Dominions would be assumed.

MR. BENNETT said that, in his view, so far as the United Kingdom was concerned, the undertakings to which Mr. Ramsay MacDonald had referred had been fairly discharged. He thought that the United Kingdom had done all that was possible. There were times when decisions had to be made—and the press article alluded to earlier in the meeting provided food for a certain type of opinion in Canada—and it was the more necessary on that acount that Dominion Governments should know the general background of the policy followed by the United Kingdom. The Dominions might not be directly concerned, and the case of Abyssinia was an example of this; *per se* Abyssinia was not of importance to Canada, but, as regards the effect which the Abyssinian difficulty might have on Europe, Canada might be deeply affected. He would repeat that he felt that the United Kingdom was unprepared and vulnerable. He did not say that Canada would not perhaps have taken the same line, and he realised that what the United Kingdom had done in the direction of disarmament had been done for what Western Democracy, with which he was so familiar, was always talking about—the peace of the world. But the heart of the Empire was in a specially vulnerable condition, and he was alarmed by the thought of what air power could do with its bombs and its poison gas. He could only hope that Herr Hitler was to some extent exaggerating the size of his air forces.

MR. RAMSAY MACDONALD wished to assure Mr. Bennett that in the United Kingdom they were making great efforts to meet the situation. He felt that, at any rate so far as pilots were concerned, the United Kingdom was ahead of Germany, but those responsible in this country were in no way complacent with the situation.

Nationality of Married Women

MR. THOMAS referred to the question of the nationality of married women which had been raised by the representatives of the Commonwealth of Australia, and suggested that perhaps the best method of dealing with the matter would be the appointment of a small committee.

MR. BENNETT suggested that it was doubtful whether discussion in a committee would advance matters, and expressed, as his own personal view, that they had already gone too far in the direction of giving equality of status. He thought that as a preliminary step it might be desirable that each Dominion should send in a memorandum setting out their views on the questions raised.

. . .

CHAPITRE III / CHAPTER III

RELATIONS AVEC LES ÉTATS-UNIS
RELATIONS WITH UNITED STATES

PARTIE 1/PART 1

CONTREBANDE
SMUGGLING

124.

Le chargé d'affaires aux États-Unis au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires in United States to Secretary of State for External Affairs

DESPATCH 103 Washington, January 26, 1931

Sir,

With reference to my telegram of January 25th, 1931, reporting the death of the Captain of the Canadian motor vessel *Josephine K* in an encounter with the United States Coast Guard off New York, I have the honour to state that I called early this morning at the State Department with the request that an enquiry should be made into the incident and that I should be furnished with an official report thereof. An answer to this request is not to be expected for two or three days at least.

2. His Majesty's Consul-General at New York, Mr. Gerald Campbell, telephoned me this morning to say that the Captain of the Coast Guard had invited him to send a representative to a Court of Enquiry into the incident which is being conducted by the Coast Guard today. He had been informed that members of the crew of the *Josephine K* would be asked to give evidence. I told him that I considered it advisable to accept the invitation, mainly in order that an independent report of the Court of Enquiry may be secured.

3. All the newspapers which I have examined today devote much space and large headlines to the incident. Despatches to Canada will already have given you accounts of the affair. It seems probable that the vessel was observed within the limit of an hour's sailing distance from the shore; she apparently was caught *flagrante delicto* unloading her cargo of liquor to a scow and tug. The Coast Guard maintain that they warned the vessel, first by firing three blank shells when the captain refused to heave to, and then by firing three solid shells across the vessel's bows; only after these warnings were unheeded did they fire at the vessel itself.

4. If the Coast Guard's version is approximately accurate, the chief international issue involved in the case seems to me to be whether, by Article II of the Convention of January, 1924, we agreed not to object to the employment of violence in effecting the seizure of a vessel up to the point actually exhibited by the Coast Guard in this case. The issue resembles one of the points at stake in the *I'm Alone* case, but there appears to have been far more justification for the Coast Guard's action. Loss of life was to be expected sooner or later in the rum-running traffic, and it is rather surprising, in view of the methods adopted by the smugglers and the recent increase in their activities, that this is the first occasion on which, so far as I am aware, a Canadian has been killed.

5. I notice in the *New York American* of today some references to opinions alleged to have been expressed by officers of this Legation concerning the merits of the case. No views of any kind have been given to the press by me, and I am assured by the other members of the staff that they have observed an equal reticence. The story therefore is false. I have merely informed representatives of the press that I have made enquiries concerning the incident at the Department of State and that I do not expect to receive a reply to these enquiries for some days.

I have etc.

H. H. WRONG

125.

Le chargé d'affaires aux États-Unis au secrétaire d'État des États-Unis
Chargé d'Affaires in United States to Secretary of State of United States

No. 46 [Washington,] March 16, 1931

Sir,

I have the honour to refer to your note of January 31st, 1931, with which you transmitted, in response to my verbal request, a report from the United States Treasury Department concerning the circumstances attending the seizure by the United States Coast Guard of the Canadian vessel *Josephine K.*

on January 24th, 1931, together with a copy of the record of the proceedings of a Board of Investigation into the same matter composed of officials of the United States Coast Guard.

I have been instructed by the Secretary of State for External Affairs of Canada to bring the following observations on this matter to the attention of the Government of the United States.

It appears that the Captain of the United States Coast Guard vessel C.G. 145 opened fire with a one-pounder gun and that, as a result, the Master of the *Josephine K.* was fatally wounded. Mr. Bennett desires me to express his appreciation of the expressions of regret for the unfortunate result of this incident, which are contained in the Report of the Treasury Department and in the findings of the Board of Investigation, and also of the measures adopted by the Captain of the C.G. 145 to secure medical attention for the Master of the *Josephine K.* He regrets, however, that he cannot agree that the circumstances of the case warrant the view that the death of the Master of the *Josephine K.* was unavoidable, or with the view that the action of the Boatswain, Karl Schmidt, United States Coast Guard officer in charge of the Coast Guard Patrol Boat C.G. 145, in carrying out the orders indoctrinated by the Coast Guard, in seizing the *Josephine K.*, should be commended.

The primary question which arises is the location of the vessel. His Majesty's Government in Canada feel justified in assuming that the Government of the United States will agree that the use of force, resulting in killing a Canadian citizen on a Canadian ship on the high seas, could only be justified, if at all, by establishing circumstances that would authorize the boarding of the *Josephine K.* under the provisions of Article II of the Convention of January 23rd, 1924. They also feel justified in assuming that the Government of the United States will agree that the burden of establishing the existence of such circumstances is upon the United States authorities, and that the existence of such circumstances must be proved beyond all reasonable doubt. The *Josephine K.*, admittedly, was on the high seas. In order to justify boarding, it must be established that the *Josephine K.* was within one hour's sailing distance from the coast of the United States. So far from establishing this distance beyond a reasonable doubt, the Report of the Treasury Department and the record of the Board of Investigation, it is submitted, establish conclusively that the *Josephine K.* was at all times more than one hour's sailing distance from the coast of the United States.

In the Report from the Treasury Department, dated January 31st, 1931, the first paragraph states:

> At approximately 8:15 p.m., 24 January, 1931, the Canadian oil screw *Josephine K.* of Digby, Nova Scotia, official number 152491, was seized by the United States Coast Guard patrol boat CG-145, attached to Section Base Two, Staten Island, New York, in Latitude 40°24'30" North, Longitude 73°44'18" West, 10.6 miles distant from the coast of Long Island, N.Y. The *Josephine K.*, with an unmanifested cargo of liquor, was discovered by the patrol boat CG-145 in Latitude 40°25'36" North, Longitude 73°46'74" West, 9.4 miles distant from the coast of New Jersey, in contact with and trans-shipping cargo to the American barge *Brooklyn*, which was in tow of the American steam screw *Dauntless* No. 6,

> After a chase of approximately ten minutes, during which the use of gunfire was made mandatory by the refusal of the *Josephine K.* to heed the Klaxon signals, blank charges and warning shots of the patrol boat, the Canadian vessel was brought to by a solid shot which registered a direct hit on the pilot house and the seizure was effected in the position first above mentioned. The registered speed of the *Josephine K.* as shown on the British register No. 152491 found on board is eleven knots.

This Report apparently accepts the testimony of Boatswain Schmidt in respect to the location of the *Josephine K.* when first discovered and in respect to the location at the point of seizure. It assumes that the locations of the point of seizure and of the point of anchorage are identical, and accepts the finding of the Board of Investigation to the effect that drift is a negligible factor in this case. It rejects, completely, the testimony as to location given by Commander Birkett and Lieutenant Short of the United States Coast Guard vessel *Sebago,* who were sent to the point of anchorage for the express purpose of establishing its location. In view of the fact that these officers had instruments and other facilities for establishing location which were not available to Boatswain Schmidt, it is not easy to understand the rejection of their testimony, and particularly of the data which they have rendered available in their evidence for establishing the point of anchorage.

An examination of the evidence shows that no bearings or measurements whatsoever were taken at the point of discovery and that Boatswain Schmidt's testimony in locating it at the point in question is based entirely upon his inference that the *Josephine K.* travelled two miles in ten minutes, to the point of seizure. It is clear that when he gave his testimony he was under the impression that the *Josephine K.* was capable of making more than 12 knots per hour.

It is clearly established by the evidence that the *Josephine K.* travelled a much shorter distance than two miles between the point of original discovery and the point of seizure, for the following reasons:

First. The average speed of the *Josephine K.,* as established by speed tests conducted by the Board of Investigation on January 29th, 1931, was 9.535 knots per hour and her maximum speed 9.6 knots per hour. This would establish that the *Josephine K.* could not possibly have travelled more than 1.6 knots in the ten minutes, if she had started at full speed without change of direction to the point of seizure.

Second. Boatswain Schmidt, in the evidence at p. 24, admits that he would make less than two knots during the chase of ten minutes, in view of the fact that the course was against a flood tide.

Third. Boatswain Schmidt, in the evidence at p. 24, admits, as indeed would be common knowledge, that the Coast Guard vessel did not make full speed until about three or four minutes had elapsed. Again, at p. 26, he points out that at the beginning C.G.145 was not making 1,200 revolutions. She was only making 600, then the speed was gradually

increased to 900, then to 1,200 revolutions. It is a fair assumption that the *Josephine K.* must have had a corresponding experience and did not attain full speed until the expiration of at least three minutes. To begin with, the vessel apparently had to turn in her course in order to head in a direction southeasterly from Ambrose Light. Assuming that it took three minutes, which in any event is a minimum time to attain the maximum speed, the distance covered in the ten minutes would not be more than 1.36 miles. This is without making any allowance whatever for the fact that the chase was conducted against a flood tide.

It is not intended to concede that the Treasury Department is justified in rejecting the data established by the *Reliance* and *Sebago* and in accepting, instead, that of Boatswain Schmidt, which is the only evidence on record which is put forward as justifying the action. The records of observations made by the *Sebago,* as set forth in the evidence, have been examined by technical officers of the Government of Canada. They have reported that on plotting the visual and radio bearings it was found that both produced poor intersections, the former being the better but that two visual bearings to Ambrose Light Ship and Navesink Light and the radio bearing from Sandy Hook gave an almost perfect intersection, which has been accepted as the anchored position of the *Josephine K.* This position is distant from the Long Island and New Jersey coasts 11.5 and 11.6 miles, respectively. Traced from this point the probable position of the *Josephine K.* when first discovered would be not more than 11.0 and not less than 10.7 miles from the Long Island coast, and not more than 10.9 and not less than 10.4 miles from the coast of New Jersey. It thus appears that the *Josephine K.* must have been, at all times, at a greater distance from the coast of the United States than the vessel could have traversed in an hour.

In view of these circumstances, it is established beyond all possible doubt on the basis of the testimony given at the Investigation, that the point of original discovery must necessarily have been more than an hour's sailing from the shore, and consequently that the whole of the action, including the signals to stop, the warning shots and the shots that struck the *Josephine K.,* was illegal and not justified in any way.

It is observed that the Report of the Board of Investigation to the Treasury Department proceeds upon the assumption that the jurisdiction exercised by the Coast Guard extended twelve nautical miles from the shore. Whatever may be the position with respect to United States ships and nationals, it is clear that as regards a Canadian vessel, jurisdiction beyond territorial waters, which is based on the Convention, extends to an hour's sail, whether that be more or less than twelve miles distance from shore.

In view of the conclusive evidence as to location, it does not appear to be necessary to consider the question whether force could have been used in the circumstances of this case, if the vessel had been seized within an hour's sailing distance of the coast of the United States. In refraining from making any

observations on this matter, the Government of Canada do not desire to be regarded as acquiescing in the view that the Convention can be interpreted as justifying the use of the forcible measures employed in the special circumstances under consideration, or as involving an undertaking not to object to action which involved the opening of fire upon an escaping vessel, directed to the engine room, where men were known to be working, and actually hitting the pilot-house and so resulting in the loss of life.

The Government of Canada wish to emphasize their desire to continue the spirit of friendly co-operation which led to the signing of the Convention. They are of the opinion that the objects of the Convention can only be fulfilled by a strict adherence to its terms, and a recognition of the underlying principle in all matters of this kind that the assertion of a right so conferred must be established to have been exercised in accordance with the terms of the authority conferring it. They believe further that the right to board, search and seize for adjudication a vessel within an hour's sail from shore is not to be exercised by the application of force under circumstances which may reasonably be taken to involve loss of human life.

In view of the circumstances of this case, in which the actual evidence taken before the Board of Investigation establishes that at all stages the vessel in question was outside the distance prescribed by Article II of the Convention, His Majesty's Government in Canada feel justified in assuming that the United States Government will regard it as a case in which the action of the Coast Guard should be disavowed, in which the vessel, cargo and crew should be promptly released, and in which such reparation as is possible should be made to the widow and children of the late Master of the *Josephine K.*

I have etc.

H. H. WRONG

126.

Le secrétaire d'État par intérim des États-Unis au chargé d'affaires aux États-Unis

Acting Secretary of State of United States to Chargé d'Affaires in United States

Washington, July 8, 1931

Sir,

Referring to the Statement of Claim on behalf of Canada in the *I'm Alone* case, which Mr. Wrong left at the Department on March 2, 1931, I enclose two copies of the Answer of the United States[1] for your information. Copies thereof have been forwarded to the American Minister at Ottawa with instructions to arrange to have two copies transmitted to the Right Honorable Lyman Poore Duff, P.C., Canadian Commissioner in this case and two copies to the

[1] Non reproduite. [1] Not printed.

Honorable J. E. Read, Canadian Agent. The Minister has also been instructed to deliver ten copies to the Department of External Affairs for such use as it may wish to make of them.

Accept etc.

JAMES GRAFTON ROGERS
for the Acting Secretary of State

127.

Le secrétaire d'État par intérim des États-Unis au chargé d'affaires aux États-Unis

Acting Secretary of State of United States to Chargé d'Affaires in United States

Washington, August 1, 1931

Sir,

Reference is made to Mr. Wrong's note No. 46, of March 16, 1931, and to my acknowledgment of March 17, 1931, in regard to the seizure by the United States Coast Guard on January 24, 1931, of the Canadian vessel *Josephine K.*

It is the contention of the United States Government that the *Josephine K.* was legally seized. A libel has been filed in the United States District Court for the Southern District of New York, asking for the forfeiture of the *Josephine K.* and in due course the case will come up for trial. In view of these pending court proceedings I am not in a position to comment on the issues raised in Mr. Wrong's note until the court has rendered a decision. In the meantime the claimant of the vessel has given a bond to the court and the vessel has been returned to his possession. I have asked the Attorney General to expedite in so far as possible the trial of this case.

Accept etc.

JAMES GRAFTON ROGERS
for the Acting Secretary of State

128.

Le chargé d'affaires aux États-Unis au secrétaire d'État par intérim des États-Unis

Chargé d'Affaires in United States to Acting Secretary of State of United States

No. 148 [Washington,] August 25, 1931

Sir,

I have the honour to acknowledge the receipt of your note of August 1st, 1931, with regard to the seizure by the United States Coast Guard on Janu-

ary 24, 1931, of the Canadian vessel *Josephine* K. It is observed that you do not feel yourself to be in a position to comment on the issues raised in my note No. 46 of March 16, 1931, until a decision has been rendered by the United States District Court for the Southern District of New York in proceedings undertaken with a view to the forfeiture of the *Josephine K.*

I am instructed to state that your reluctance to comment upon the issues at the present stage is fully appreciated, and that His Majesty's Government in Canada is prepared to defer consideration of these issues until a decision has been rendered by the United States District Court in the proceedings. It is assumed that the Government of the United States will agree with the view that the jurisdiction of that Court is dependent upon those issues, and that the question of jurisdiction is a matter to be finally determined, not by a tribunal of one of the high contracting parties, but in accordance with the provisions of Article IV of the Convention of January 23, 1924. It is understood, therefore, that in acquiescing in your proposal to defer consideration of these issues, the Government of Canada is not assenting to the view that the United States District Court is the appropriate tribunal to make a final determination on the question of jurisdiction under the Convention.

I have etc.

HUME WRONG

129.

Les Commissaires-Arbitres aux Agents
Arbitration Commissioners to Agents

[Washington,] January 28, 1932

DIRECTIONS

1. The course to be followed by the Commissioners in this reference was outlined by a memorandum dated September 22nd, 1930, which was approved by an exchange of notes; viz., Note No. 219, dated October 30th, 1930, from the Canadian Chargé d'Affaires to the Secretary of State, and the answering note, dated November 14th, 1930, from the Secretary of State to the Canadian Chargé d'affaires.

2. The memorandum in its 4th and 5th sections provided:

> 4. It is desired by the two Governments that the claim should receive the joint consideration of the two Commissioners nominated in accordance with the terms of Article 4. To this end it is not desired that their consideration should be restricted. In order, however, to place the claim before the Commissioners, it is proposed that the following preliminary procedure should be adopted:
>
> *First.* The Canadian Agent shall formulate the claim, outlining the substance of the Canadian contention and specifying the heads of claim. A copy of this claim shall be transmitted to the United States Agent and to each Commissioner.

Second. The Agent for the United States shall then formulate the answer, outlining the substance of the United States contention as to liability, dealing separately with each head of claim. A copy of the answer shall be transmitted to the Canadian Agent and to each Commissioner.

Third. Further statements by way of reply may be made if necessary.

Fourth. The Agents shall thereupon request the Commissioners to meet together to consider the claim and answer, to give directions and to settle the further procedure to be adopted.

5. The object of this preliminary procedure is to make it possible to get the whole case before the Commissioners in outline, in order to elicit their views as to whether any further investigations are necessary and, if so, as to the manner in which they should be made and presented before them. It is anticipated that with a full appreciation of the points that are at issue in this claim, the Commissioners will be in a position to give directions as to further procedure.

3. Pursuant to requests from the Agents of the High Contracting Parties, the Commissioners have met and have considered the Claim and the Answer, and have concurred in giving the following directions to the Agents:

(*a*) In order to facilitate the consideration by the Commissioners of the Claim of the *I'm Alone,* it is directed that attention should first be given to certain questions of law. These questions are essential to the consideration of the Claim, and they do not depend upon the taking of evidence, but arise directly from the Claim and Answer which have been considered.

(*b*) The first question is whether the Commissioners may enquire into the beneficial or ultimate ownership of the *I'm Alone* or of the shares of the corporation that owned the ship. If the Commissioners are authorized to make this enquiry, a further question arises as to the effect of indirect ownership and control by citizens of the United States upon the Claim; viz., whether it would be an answer to the Claim under the Convention, or whether it would go to mitigation of damages, or whether it would merely be a circumstance that should actuate the claimant Government in refraining from pressing the claim, in whole or in part.

(*c*) The second question relates to the right of hot pursuit. Further, it has two aspects, and it is based upon the assumption that the averments in the Answer with regard to the location and speed of the *I'm Alone* are true. The question in its first aspect is whether the Government of the United States under the Convention has the right of hot pursuit where the offending vessel is within an hour's sailing distance of the shore at the commencement of the pursuit and beyond that distance at its termination. The question in its second aspect is whether the Government of the United States has the right of hot pursuit of a vessel when the pursuit commenced within the distance of twelve miles established by the revenue laws of the United States and was terminated on the high seas beyond that distance.

(*d*) The third question is based upon the assumption that the United States Government had the right of hot pursuit in the circumstances and

was entitled to exercise the rights under Article 2 of the Convention at the time when the *Dexter* joined the *Wolcott* in the pursuit of the *I'm Alone*. It is also based upon the assumption that the averments set forth in paragraph 8 of the Answer are true. The question is whether, in the circumstances, the Government of the United States was legally justified in sinking the *I'm Alone*.

(*e*) With a view to the consideration of these questions of law, the Agents for the High Contracting Parties are requested to submit written or printed briefs—an opening brief on behalf of the Government of Canada, an answering brief on behalf of the Government of the United States, and a reply brief on behalf of the Government of Canada. It is requested that these briefs should be filed within the next few months, and thereupon the Agents should make arrangements at the earliest convenient opportunity for an oral argument.

(*f*) Further directions may be given either before or after the oral argument and either with a view to amending or supplementing the directions now given or with a view to the consideration of other aspects of the Claim.

WILLIS VAN DEVANTER
LYMAN P. DUFF

130.

Le ministre aux États-Unis au secrétaire d'État des États-Unis
Minister in United States to Secretary of State of United States

No. 110 Washington, June 8, 1932

Sir,

I have the honour to acknowledge receipt of your note of May 21st, transmitting copies of decrees entered by consent in favour of the United States in the United States District Court for the Southern District of New York against the Canadian vessel *Josephine K.* and its cargo of liquor.

2. I have been instructed in this connection to inform you that His Majesty's Government in Canada fail to apprehend the relevance of this settlement to the issues raised in Mr. Wrong's note No. 46 of March 16th, 1931. The contention then advanced was that the evidence taken during the investigation held by the Coast Guard clearly proved that the *Josephine K.* was at all times beyond an hour's sailing distance from the shore and that her seizure on the high seas was not in accordance with the terms of Article [II] of the Convention of January 23rd, 1924 and was therefore illegal. No reply to this contention has as yet been received from the Government of the United States. Its validity is not in any way affected by a settlement agreed to privately by the owners of the vessel and cargo. Mr. Wrong in his note No. 148 of August 25th, 1931 stated that the Government of Canada was

prepared to defer to the wishes of the Department of State in postponing consideration of the issues until a decision had been rendered by the United States District Court, on the explicit understanding that this Court was not the appropriate tribunal to make a final determination on the question of jurisdiction under the Convention.

3. I am desired to urge that the matter should now be dealt with without further delay. The widow and children of Captain Cluett, who was killed during the encounter, are in urgent need; and His Majesty's Government in Canada are of the opinion that, in particular, the question of suitable reparation for his death should be settled at the earliest possible moment.

I have etc.

W. D. HERRIDGE

131.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1075 Washington, October 26, 1932

Sir,

With reference to the Legation's despatch No. 694 of June 10th, 1932, and previous correspondence concerning the case of the *Josephine K.*, I have the honour to enclose a copy of a note from the Department of State,[1] which contains the reply to the representations on this case made by Mr. Wrong in accordance with your instructions in his note of March 16th, 1931. The enclosed note records the expected refusal of the United States to pay any indemnity for the death of Captain Cluett, and states the views of the Government of the United States on the circumstances of this case in such a manner as to leave no hope that any recognition of the validity of the claim can be secured by further diplomatic correspondence.

I have etc.

W. D. HERRIDGE

132.

Le secrétaire d'État des États-Unis au ministre aux États-Unis
Secretary of State of United States to Minister in United States

Washington, April 12, 1933

Sir,

Referring to Mr. Wrong's informal note of January 19, 1933, transmitting copies of the Canadian Brief in the *I'm Alone* case, I enclose two copies of

[1] Non reproduite. [1] Not printed.

the Answering Brief of the United States[1] for your information. Copies thereof have been forwarded to the American Chargé d'Affaires ad interim at Ottawa with instructions to arrange to have three copies transmitted to the Right Honorable Lyman Poore Duff, P.C., Canadian Commissioner in this case, and three copies to the Honorable J. E. Read, Canadian Agent. The American Chargé d'Affaires ad interim has also been instructed to deliver ten copies to the Department of External Affairs for such use as it may wish to make of them.

Accept etc.

WILLIAM PHILLIPS
for the Secretary of State

133.

Le Conseiller juridique au conseiller à Washington
Legal Adviser to Counsellor in Washington

Ottawa, May 18, 1933

Dear Hume,

I had a talk with Tilley last week and an interview with the Chief Justice yesterday, concerning the present position of the *I'm Alone* proceedings.

I think that it is unlikely that we shall put in a Reply Brief, because at the present it seems to me that all of the issues are adequately raised by the two Briefs. Accordingly, it becomes necessary to consider what should be done.

In discussing the matter with the Chief Justice, he thought that it was desirable that you should have an interview with Mr. Justice Van Devanter and ascertain from him what his views are as to the next step. The Chief Justice thought that if Mr. Justice Van Devanter was of the opinion that an exchange of views between them was desirable at this stage, it might be arranged during some weekend. The sessions of the court here will probably extend towards the end of June, but it might be possible for the Chief Justice to get away say, for the week-end of June 3rd to 5th. It would, in this manner, be possible to have a short conference to consider whether the Commissioners thought it desirable to have an oral argument. or whether they thought they were in a position to arrange to meet and go into the whole question with a view to making joint recommendations.

In the event that they arrange to have such a preliminary meeting, I could probably induce Mr. Pepper to be available in case they wanted to call upon us in any way.

With regard to the position generally, I am informed by the owners, whose information may or may not be correct, that it is possible that there will be some prospect of a settlement of this case. If they are right, a preliminary

[1] Non reproduit. [1] Not printed.

canter of this sort might enable the Commissioners to discuss the situation and feel out the possibility of some sort of a settlement.

I do not think that this case can be satisfactorily concluded unless it results in a new treaty. You will remember that the U.K. Government suggested at an early stage that the Commissioners might point out the need for revision. I should like to have your own opinion as to whether such a course would be likely to meet with approval at the present time. For this purpose, I am setting forth my personal views as to what should be the elements in a new Convention:

First: The Convention should extend to all revenue and sanitary jurisdiction, and not be limited to liquor.

Second: It should be completely reciprocal in every clause.

Third: It should be based upon twelve miles, rather than an hour's sailing distance.

Fourth: It should include the right of hot pursuit.

Fifth: It should not include the right to destroy the vessel or to endanger human life. This would raise a certain difficulty in that it might be contended that it would nullify the effect of the Convention, but it is conceivable that this difficulty might be solved by each country imposing a legal obligation upon its vessels to stop when hailed by the constituted authorities of the other country.

Sixth: It would provide, on a reciprocal basis, for the right to carry liquor under seal when visiting the ports of the other country.

Seventh: It would provide that any vessel aggrieved by the unreasonable or improper exercise of the rights under the Convention should have a right to redress in the Federal courts, exercisable either by way of counter-claim in the proceedings resulting from the seizure, or by independent proceedings, the necessity for a fiat or jurisdictional act in such cases being eliminated.

Eighth: It should contain a provision for references to a tribunal by the two Governments of any general questions arising out of the administration of the Convention.

Yours sincerely,

J. E. READ

134.

Le conseiller à Washington au Conseiller juridique
Counsellor in Washington to Legal Adviser

CONFIDENTIAL Washington, May 23, 1933

Dear John,

I have today telegraphed a partial reply to your confidential letter of May 18th, concerning the present position of the *I'm Alone* proceedings. Mr. Justice Van Devanter has not been well, and he said frankly when I saw

him yesterday that he had really given no consideration to the case since his last meeting with the Chief Justice. I gathered that he had made as yet no definite plans for the summer, and it might therefore be possible to arrange for the Commissioners to hold a formal meeting before the autumn.

He fell readily in with the idea of an informal discussion with the Chief Justice, and at once suggested that he should go to Ottawa for this purpose. Since he will be free after May 29th, while our Supreme Court will still be sitting, it seems sensible to hold the meetings in Ottawa, and the Justice feels strongly that he should go there. He was quite vague about the future procedure, but said he would examine the briefs as soon as the Supreme Court rose.

As you know, I agree with you that the Convention of 1924 is quite unworkable, and I should be glad to see it replaced along the general lines which you suggest. I assume that you are contemplating a new Convention between Canada and the United States only; the British would be very likely to object to the first and third of the items mentioned in your letter. I have not really as yet had time to consider your suggestions with the care which they deserve, but they impress me favourably as an outline. We might run into trouble on the seventh point, because of the refusal of the United States hitherto to permit actions in tort against the Federal Government. In cases in which vessels were sunk either by accidental collision or deliberately, no forfeiture proceedings could result, and, therefore, redress by way of counter-claim would not be open to the owners. The Convention should, therefore, include a procedure permitting the Governments to be sued for damages in their own courts. A limited right of suit is already accorded in the United States under the Public Vessels Act; but they might not be prepared to confer on foreigners by treaty a right of suit not enjoyed by their own citizens.

The status of the 18th Amendment, however, will be a determining factor in deciding whether a new Convention should be negotiated. This also would have a considerable bearing on the terms of such a Convention. A drive is now under way to secure the adoption of repeal by the end of 1933; the President has just endorsed this for fiscal reasons, since $500,000,000 a year are expected to accrue as revenue from liquor duties. Thirteen States can block repeal, and one cannot yet reach the point of enumerating the States certain not to act this year. I think that the chances favour the adoption of repeal by December 31st; the State Conventions which had been held already showed enormous wet majorities, but all these States were known to be wet in any case.

The elimination of the 18th Amendment would not, of course, mean that such a Convention as you outline is not desirable; but it has a very direct bearing on whether the United States will be anxious to negotiate a new Convention at the present time. Probably the most appropriate opportunity would be in February, 1934, by which time the situation as to repeal will have been cleared up in all probability. Notice would then be due of our

desire to modify the present Convention, and we might at the same time propose its replacement. The recommendations of the Commissioners in the *I'm Alone* case should be before us before that time.

Yours sincerely,

H. H. WRONG

135.

Les Commissaires-Arbitres au secrétaire d'État des États-Unis et au secrétaire d'État aux Affaires extérieures

Arbitration Commissioners to Secretary of State of United States and Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], June 30, 1933

Excellencies,

Willis Van Devanter and Lyman Poore Duff, the Commissioners appointed respectively by the high contracting parties pursuant to Article 4 of the Convention of the 23rd day of January, 1924, between His Majesty the King of the United Kingdom of Great Britain and Ireland [and] of the British Dominions beyond the Seas and the President of the United States of America, beg leave to present the following interim report and recommendations.

In compliance with a direction given on the 28th of January, 1932, the agents and counsel of the high contracting parties respectively have submitted briefs and oral argument in relation to certain preliminary questions which are here set forth; and the Commissioners, in the exercise of their duty under the authority conferred upon them by the appointment aforesaid, have given and do give the answers hereinafter respectively appended to these questions:

The question numbered one is in the following terms:

> The first question is whether the Commissioners may enquire into the beneficial or ultimate ownership of the *I'm Alone* or of the shares of the corporation that owned the ship. If the Commissioners are authorized to make this enquiry, a further question arises as to the effect of indirect ownership and control by citizens of the United States upon the Claim; viz., whether it would be an answer to the Claim under the Convention, or whether it would go to mitigation of damages, or whether it would merely be a circumstance that should actuate the claimant Government in refraining from pressing the claim, in whole or in part.

The answer given to this question is as follows:

> The Commissioners think they may enquire into the beneficial or ultimate ownership of the *I'm Alone* and of the shares of the corporation owning the ship; as well as into the management and control of the ship and the venture in which it was engaged; and that this may be done as a basis for considering the recommendations which they shall make. But the Commissioners reserve for further

consideration the extent to which, if at all, the facts of such ownership, management and control may affect particular branches or phases of the claim presented.

The question numbered two is in the following terms:

The second question relates to the right of hot pursuit. Further, it has two aspects, and it is based upon the assumption that the averments in the Answer with regard to the location and speed of the *I'm Alone* are true. The question in its first aspect is whether the Government of the United States under the Convention has the right of hot pursuit where the offending vessel is within an hour's sailing distance of the shore at the commencement of the pursuit and beyond that distance at its termination. The question in its second aspect is whether the Government of the United States has the right of hot pursuit of a vessel when the pursuit commenced within the distance of twelve miles established by the revenue laws of the United States and was terminated on the high seas beyond that distance.

The answer given to this question is as follows:

As respects the question in its first aspect, viz., 'Whether the Government of the United States under the Convention has the right of hot pursuit where the offending vessel is within an hour's sailing distance of the shore at the commencement of the pursuit and beyond that distance at its termination,' the Commissioners are as yet not in agreement as to the proper answer, nor have they reached a final disagreement on the matter. The Commissioners, therefore, suggest that the proceeding go forward and that the evidence be produced in an orderly way, leaving the Commissioners free to give further consideration to the matter and to announce their agreement or disagreement thereon as the case may be.

The question in its second aspect need not be answered because the Government of the United States has now withdrawn so much of its answer as led to the propounding of that aspect of the question.

The question numbered three is in the following terms:

The third question is based upon the assumption that the United States Government had the right of hot pursuit in the circumstances and was entitled to exercise the rights under Article 2 of the Convention at the time when the *Dexter* joined the *Wolcott* in the pursuit of the *I'm Alone*. It is also based upon the assumption that the averments set forth in paragraph 8 of the Answer are true. The question is whether, in the circumstances, the Government of the United States was legally justified in sinking the *I'm Alone*.

The answer given to this question is as follows:

On the assumptions stated in the question, the United States might, consistently with the Convention, use necessary and reasonable force for the purpose of effecting the objects of boarding, searching, seizing and brining into port the suspected vessel; and if sinking should occur incidentally, as a result of the exercise of necessary and reasonable force for such purpose, the pursuing vessel might be entirely blameless. But the Commissioners think that, in the circumstances stated in paragraph eight of the Answer, the admittedly intentional sinking of the suspected vessel was not justified by anything in the Convention.

Having thus answered the preliminary questions, the Commissioners have had under consideration the practical application of their answers to the future conduct of the case.

They, accordingly, make to the two Governments the following recommendations:

First: that the agents be instructed by their respective Governments to prepare and submit to the Commissioners separate statements setting forth in detail

the contentions of their respective Governments as to the ultimate beneficial interests in the vessel and in the cargo, together with specifications of the documents and witnesses relied upon to substantiate their respective contentions:

Second: that the agents be similarly instructed to submit to the Commissioners either a joint statement or separate statements (in either case specifically itemized) of the sums which should be payable by the United States in case the Commissioners finally determine that compensation is payable by that Government.

Upon compliance with the foregoing recommendations the Commissioners will notify the agents by what procedure the resulting issues of fact will be determined and upon such determination will make a final recommendation.

The Commissioners have etc.

WILLIS VAN DEVANTER
LYMAN P. DUFF

136.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1034 Washington, December 2, 1933

Sir,

In confirmation of my telephone conversation of yesterday, and continuation of my despatch No. 1021 of November 25th, I have the honour to report that a decision was reached yesterday concerning the regulation of liquor imports into the United States following the repeal of prohibition. This decision, which was communicated to me at the State Department yesterday afternoon, grants to Canada a special status accorded to no other country, and is likely to permit the sale in the United States during the next year of virtually the entire surplus stocks of whisky held by Canadian distillers.

2. The basic method of regulation is by means of a marketing agreement between the Secretary of Agriculture and the importers of spirits and wines. Importation will only be permitted after a permit has been issued by a central authority in Washington in respect of each shipment. Notification will be sent by cable or telegram to the appropriate consular officer of the United States, who will then be able to affix his certificate to the invoice covering the shipment. Except in the case of Canada, importations will be restricted during the period December 5th to January 31st by a quota system based on the average exports to the United States of each country during the years 1910 to 1914. There will be admitted from each country a supply equal to its average exports during four months of this period. This will give the United Kingdom a quota of about 600,000 gallons of spirits, while Canada would have secured a quota of only about 100,000 gallons if the

same method had been applied. On January 31st, the control of importations will pass to the Federal Alcohol Control Administration, which is charged also with the regulation of the domestic distilling industry. It is intended in the meantime to press for tariff agreements which will increase the sales of agricultural products abroad, in return for the admission of foreign liquors. The control of importation is being undertaken under the Agricultural Adjustment Act, and in order to secure a legal basis it is essential that the objects of this Act should be furthered by expanding markets for agricultural products.

3. Imports from Canada, however, are being handled on an entirely different principle. Permits will be issued immediately allowing entry to the United States from Canada of not more than 10,000,000 gallons of American-type whisky suitable for blending purposes. This amount is expected to look after all possible requirements until January 31st. After that date, it is intended to issue further permits for similar whisky from Canada in sufficient quantity, if the need arises, to allow for the entry of 25,000,000 gallons in all during the first year. I gather from the representatives of Canadian distillers who have been in Washington that this amount is in excess of the quantity which they expect to be able to ship to the United States. Though this special arrangement is applicable only to American-type whisky suitable for blending, I understand that almost the entire Canadian stock corresponds with this description. Furthermore, it will be permitted to be sold in the United States for consumption in its original state, as well as for blending by domestic distillers.

4. This decision has been reached in face of considerable difficulties. First, there is danger that the United States will be accused of violating its most favoured nation treaties by the special treatment given to Canada. The reply will be that similar treatment will be accorded to any other country containing stocks of American-type whisky suitable for blending. There is a small stock of this whisky in Cuba, and only negligible quantities elsewhere. The State Department anticipates complaints from other exporting countries, and its own legal advisers were inclined to oppose giving special treatment to Canada because of the complications which might ensue.

5. The second difficulty was the insistent demand that the question of liquor imports should be related to tariff concessions in all cases. I have already pointed out that some such connection must be established in order to maintain the legality of this system of regulation. There was, furthermore, much pressure to use bargaining to advance the sales of particular commodities abroad, and many interests throughout the country requested tariff concessions from Canada in particular. The decision to admit large quantities of Canadian whisky has been taken without relation to any tariff concessions, but the State Department feels that, if some voluntary concession could be extended by the Canadian authorities, it would strengthen their position and assist in meeting demands in Congress for the restriction of imports from Canada. In this connection, mention was made particularly

of the fixed valuation for duty purposes of tomatoes from the United States; a great number of complaints against Canadian practices have been received, many of them emanating from Tennessee, the native State of Mr. Cordell Hull.

6. A third difficulty, which nearly upset the plan in its final stages, was caused by the imposition by Canada of exchange dumping duties against United States imports. Mr. Hickerson, who conducted the interdepartmental discussions for the Department of State, tells me that strong resentment was repeatedly expressed during these discussions, and that some officials favoured limiting Canadian exports to the minimum quota of 100,000 gallons.

7. The decision represents a victory for those in the State Department who are anxious to promote good commercial relations between Canada and the United States. To Mr. Hickerson's sagacity and persistence much of the credit should go for this satisfactory result. I have for some time been urging that Canada was entitled to special treatment. I based my arguments chiefly on the ground that no new concessions should be asked from Canada in view of the large loss of revenue to the Canadian authorities caused by the prohibition of liquor exports to the United States in 1930. I also pointed out that Canada possessed the only supplies of the type of whisky popular in the United States, and that, if this were not legally admitted, much of it would come in illegally. Furthermore, without admitting Canadian supplies, it would be impossible to satisfy the demand for good whisky at reasonable prices. While the force of these arguments was recognized, I feel that the present decision expresses a notable effort to promote good relations with Canada.

8. The State Department asked that the Canadian authorities should consider whether they could make an alteration in their customs practices in order to facilitate the import of liquor into the United States through legal channels alone. The suggestion was that whisky should not be released for export from bonded warehouses to the United States unless the application was accompanied by a consular certificate covering the shipment. It was felt that, if this suggestion could be carried out, it would be an insurance against the short-circuiting back to Canada of whisky released for export. I should be glad if this proposal could be carefully examined in order to determine whether its adoption is feasible. In the meantime I assume that the existing requirements will be maintained of demanding a bond in double duties to be released only on the production of a valid landing certificate from a foreign authority.

9. The contents of this despatch should be regarded as confidential until an announcement is made in Washington. The treatment accorded to Canada has not yet been made public, though Canadian exporters are already receiving permits for the movement of large quantities of liquor. The State Department will probably make an announcement next week.

10. I shall attach to this despatch copies of the importer's marketing agreement, if I can secure them before the mail closes; it was approved by

the Secretary of Agriculture late last night. There is a possibility that Congress may upset this arrangement by new legislation, but the present indications are that Canadian exporters will have practically no quantitive restrictions on their sales in the United States within the next year.

I have etc.

W. D. HERRIDGE

137.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, December 4, 1933

Assume you will advise us immediately when the noble experiment comes to its official end.

138.

La légation aux États-Unis au secrétaire d'État aux Affaires extérieures
Legation in United States to Secretary of State for External Affairs

TELEGRAM Washington, December 5, 1933

Repeal of prohibition proclaimed by Secretary of State late today.

139.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1041 Washington, December 5, 1933

Sir,

In continuation of my confidential despatch No. 1034 of December 2nd, I have the honour to report that the following announcement is being issued in Washington today: "The Temporary Liquor Import Committee, having regard for the special circumstances attending American type Bourbon and Rye whiskeys suitable for blending purposes, has decided to issue immediately permits for substantial quantities of liquor of these categories". The Committee is made up of Mr. Joseph H. Choate, who has been appointed Director of the Federal Alcohol Control Administration, and Mr. Miller of the Department of Agriculture. This announcement has been framed with a view to avoiding charges of discrimination in favour of Canada under most favoured nation treaties.

2. I understand that, after a brief delay, the issue of import permits was resumed yesterday, and that a privileged status was given to applicants who wish to import American type whiskey from Canada. Yesterday permits were issued for between 3,000,000 and 5,000,000 gallons of this type of liquor, and as much again may be authorized today. The Temporary Liquor Import Committee expects probably to authorize the importation of over 10,000,000 gallons within the next two months. I believe they are examining applications for permits for this type of liquor chiefly with a view to deciding whether the financial standing of the applicant is sound enough to enable him to handle the quantity requested; they have discovered that many small importers have been seeking permits for quantities which they could not handle, in the expectation that the amounts specified in their applications would be greatly reduced before the permits were issued.

3. I enclose copies of the Marketing Agreement and Code of Fair Competition for the Alcoholic Beverages Importing Industry,[1] under the authority of which the quantitative regulation of imports is being undertaken. The most important provisions are contained in Article 3 of the marketing agreement. The quota system included therein has caused turmoil in the diplomatic corps here, since its literal application would reduce to negligible amounts the sales of many countries which have been hoping for a large market for wines and spirits in the United States. No information has been issued as to the quotas allotted to each country.

4. There is a possibility that applications to import Canadian whiskey in bottles will not be granted as rapidly as applications to import in kegs for blending. This may give rise to some complaint among Canadian exporters, but I am informed that there is no present intention of seriously restricting the entry of bottled whiskey from Canada. The preference to importations in bulk is being given merely because whiskey of this type is urgently required by domestic distillers and blenders for rectifying purposes. Malt liquors are excluded from import control under the marketing agreement, but the customs duty is so high that there is not likely to be a demand for Canadian beers and ales.

5. I have informed the Department of State of the substance of your telegram of December 4th, in which you stated that the Canadian authorities were fully prepared to co-operate in endeavouring to keep the liquor traffic within legal channels by releasing spirits only on presentation of a consular certificate or by some similar method. They have expressed gratification at the acceptance of their suggestion, and would be glad to learn as soon as possible concerning the methods which will be adopted to give effect thereto. I have stated to the Department of State—and they have readily accepted the statement—that this change in Canadian customs practices is conditioned upon the maintenance of reasonably free access to the United States market, and is likely to be withdrawn if access is later restricted by a quota system

[1] Non reproduits. [1] Not printed.

or some similar method. It is impossible to forecast as yet what the prevailing opinion in Congress will be concerning the regulation of liquor imports. Legislation is probable early in the next Session, but it does not now seem likely that the market for Canadian spirits will be greatly circumscribed thereby.

6. I may add that the information which you furnished at my request regarding the estimated loss of Canadian revenue arising from the prohibition of liquor exports to the United States has been usefully employed in my conversations with the United States authorities.

I have etc.

H. H. WRONG
for the Minister

140.

Le haut commissaire de Grande-Bretagne au sous-secrétaire d'État aux Affaires extérieures

British High Commissioner to Under-Secretary of State for External Affairs

Ottawa, February 20, 1934

My dear Doctor,

In your letter of the 5th July, 1933 informing me with regard to the interim report delivered by the Commissioners appointed under Article 4 of the Convention of the 23rd January, 1924 between His Majesty and the President of the United States respecting the regulation of liquor traffic, you invited my observations on the position resulting from the failure of the Commissioners to agree on the second question referred to them, that of hot pursuit.

2. You referred in this connection to the memorandum from this office of the 28th August, 1929, in which it was indicated that the United Kingdom Government felt that it would be preferable to agree to the application of the doctrine of "hot and continuous pursuit" to cases arising outside territorial waters but within treaty limits rather than to incur any risk of the treaty being abrogated by the United States Government. My Government are still prepared, if necessary, to make this concession in regard to hot pursuit, but in present circumstances it appears to them desirable to consider whether the principle should be conceded in connection with the *I'm Alone* enquiry in accordance with the procedure suggested in paragraph 5 of the memorandum of the 28th August, 1929, or whether it would be preferable to leave the question over until the general situation in connection with the Liquor Convention becomes clearer. It would seem that circumstances may arise which will necessitate negotiations regarding the revision of the Liquor Convention and that, in such a case, the question of hot pursuit would no doubt enter into these negotiations. My Government

are, therefore, for their part, inclined to think that a settlement of the hot pursuit question could be left over until then. They suggest that if the Commissioners should agree that there was no right of hot pursuit except from within territorial waters, the United States Government would not now denounce the Liquor Convention. In the changed conditions of today they feel that it is more probable that the United States Government would try to secure the right of extended hot pursuit by negotiation.

3. If, on the other hand, the Commissioners should simply disagree on the question of hot pursuit, my Government do not seriously anticipate the likelihood of incidents with possible loss of life taking place. So far as they are aware, there has been no such loss of life in recent years at any rate, and, while in the nature of things some risk must always subsist, it is not clear to them that it would be lessened by an agreement between governments defining the limits within which hot pursuit is permissible.

4. With regard to the question raised in the 10th paragraph of your letter of the 5th July, my Government feel that a limitation of the right of hot pursuit from within treaty limits would give rise to complications. There might for example be difficulty in certain cases in determining whether a ship was within the limits fixed when boarded or in determining whether the pursuit started from territorial waters (in which case there would be no such limitation) or from within treaty limits outside territorial waters (in which case the proposed limitation would apply). For this reason my Government consider that it would be simpler and more logical to assimilate the right of hot and continuous pursuit from within treaty limits outside territorial waters to such right of pursuit from within territorial waters, i.e. that pursuit, if hot and continuous, should be allowed in all cases from within treaty limits until the boundary of the territorial waters of another State is reached.

5. It may be observed that if it is proposed to concede to the United States only a limited right of hot and continuous pursuit from within treaty limits outside territorial waters, it does not appear possible to proceed by way of an agreed future interpretation of the Liquor Convention by the *I'm Alone* Commissioners. While it may be possible to interpret the Liquor Convention (and United States of America do so interpret it) as conferring the same right of hot pursuit from within treaty limits as from within territorial waters or (as His Majesty's Governments in the United Kingdom and Canada interpret it) as conferring no right of hot pursuit from within treaty limits outside territorial waters, it would seem impossible to interpret it as conferring a specifically limited right of hot pursuit different from that from within territorial waters. The most that it would appear possible for the Commissioners to do in that case would be to record failure to agree and to recommend that the two Governments should conclude an agreement which would regulate the question of hot pursuit for the future. It seems to my Government that such an agreement could be regarded only as an amendment of the Convention and would presumably have to be given

effect to by an amending convention to be signed on behalf of all parts of the Empire and ratified with the concurrence of all His Majesty's Governments.

6. If in the light of the altered circumstances and of the considerations set out above, the Canadian Government nevertheless consider it desirable to proceed now to a settlement of the question of hot and continuous pursuit from within treaty limits, my Government would be grateful to receive advance information as to the nature of the proposals which would be put forward.

Yours sincerely,

W. H. CLARK

141.

Le sous-secrétaire d'État par intérim aux Affaires extérieures au haut commissaire de Grande-Bretagne

Acting Under-Secretary of State for External Affairs to British High Commissioner

Ottawa, February 23, 1934

Dear Sir William,

Referring to your letter dated the 20th February, 1934, concerning the *I'm Alone* proceedings, I have read with much interest your observations on the position resulting from the failure of the Commissioners to agree on the second question referred to them, namely that of hot pursuit.

I do not think that this matter is likely to become active in the immediate future, and I shall not fail to keep you informed as to any developments.

Yours sincerely,

L. BEAUDRY

142.

Le ministre aux États-Unis au sous-secrétaire d'État aux Affaires extérieures

Minister in United States to Under-Secretary of State for External Affairs

PRIVATE AND CONFIDENTIAL Washington, October 24, 1934

Dear Dr. Skelton,

Some weeks ago, after several conversations with Mr. Morgenthau and at his suggestion, I arranged that a senior member of his Coast Guard Service should confer with General McBrien to the end that we might develop a better system of co-operation between the two preventive services. John Read and Finlayson are both familiar with what took place, and I

have it from Mr. Morgenthau that both he and the President are exceedingly pleased with the general scheme which has been worked out.

Two days ago I again saw Mr. Morgenthau, and yesterday had a visit from one of his officials, who furnished me with a full statement of the activities of Canadian rum-runners as they are known to the Treasury Department. A summary of the information given me is set out in the enclosed memorandum.[1]

It would appear that Newfoundland is in part responsible for the present situation, but I do not know how far the British Government would be disposed to intervene so long as the French Government refuses to do anything about St. Pierre. The co-operation of those two Governments, with what the Treasury and we ourselves are disposed to do, should, I think, really knock the rum-running business on the head.

Up to date, however, the British have shown no disposition to do anything. In fact, although the State Department has addressed to Sir Ronald Lindsay what I am told is a very sharp note, nothing has been done, nor has there been any indication whatever that anything will be done.

The French Government has twice refused the application of the United States to establish a consulate at St. Pierre. The general unco-operativeness of these two Governments will be rewarded, if Mr. Morgenthau has anything to do with it, by some restriction of their liquor quotas, assuming that any such restriction will mean something more than a nominal reproof.

I have undertaken to conceal the source of the information which I am forwarding. Mr. Morgenthau is extremely anxious that it should not be traced back to his Department. There are one or two references to the Customs Department which I suppose you will handle in a way which will not disturb the calm of that organization.

Yours sincerely,

W. D. HERRIDGE

143.

Le Juge en chef au secrétaire d'État aux Affaires extérieures
Chief Justice to Secretary of State for External Affairs

Ottawa, January 9, 1935

Sir,

I beg to enclose herewith the joint final report of the Commissioners in the matter of the S.S. *I'm Alone*. A duplicate, likewise signed by both Commissioners, is being delivered simultaneously to the Secretary of State in Washington.

I have etc.

LYMAN P. DUFF

[1] Non reproduit.

[1] Not printed.

[PIÈCE JOINTE / ENCLOSURE]

Les Commissaires-Arbitres au secrétaire d'État des États-Unis et au secrétaire d'État aux Affaires extérieures

Arbitration Commissioners to Secretary of State of United States and Secretary of State for External Affairs

[Washington,] January 5, 1935

Excellencies,

The Commissioners appointed respectively by the High Contracting Parties pursuant to Article 4 of the Convention of the 23rd of January, 1924, between His Majesty the King of the United Kindom of Great Britain and Ireland and of the British Dominions beyond the seas, and the President of the United States of America, did, on the 30th of June, 1933, present an interim report and recommendations concerning the matters submitted to them for consideration.

The interim report and recommendations are before Your Excellencies.

The Commissioners therein returned answers to certain preliminary questions, set forth in a direction given by them on the 28th January, 1932, in relation to which the agents and counsel of the High Contracting Parties had submitted briefs and oral argument.

Only questions numbered One and Three and the answers given thereto are now material. These are stated in the interim report as follows. . . .[1]

The preliminary questions having been answered, the Commissioners made the following recommendations as to the future conduct of the case:

> First: that the agents be instructed by their respective Governments to prepare and submit to the Commissioners separate statements setting forth in detail the contention of their respective Governments as to the ultimate beneficial interests in the vessel and in the cargo, together with specifications of the documents and witnesses relied upon to substantiate their respective contentions:
>
> Second: that the agents be similarly instructed to submit to the Commissioners either a joint statement or separate statements (in either case specifically itemized) of the sums which should be payable by the United States in case the Commissioners finally determine that compensation is payable by that Government.

Statements were submitted to the Commissioners pursuant to these recommendations; and, on the 28th of December, 1934, the Commissioners convened for the purpose of hearing further evidence and oral argument touching the matters in dispute; and the hearing was concluded on the 3rd of January, 1935. The Commissioners now present their joint final report.

It will be recalled that the *I'm Alone* was sunk on the 22nd day of March, 1929, on the high seas, in the Gulf of Mexico, by the United States revenue cutter *Dexter*. By their interim report the Commissioners found that the sinking of the vessel was not justified by anything in the Convention. The Commissioners now add that it would not be justified by any principle of international law.

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[1] Voir le document 135. [1] See Document 135.

The vessel was a British ship of Canadian registry; after her construction she was employed for several years in rum running, the cargo being destined for illegal introduction into, and sale in, the United States. In December, 1928, and during the early months of 1929, down to the sinking of the vessel on the 22nd of March, of that year, she was engaged in carrying liquor from Belize, in British Honduras to an agreed point or points in the Gulf of Mexico, in convenient proximity to the coast of Louisiana, where the liquor was taken from her in smaller craft, smuggled into the United States, and sold there.

We find as a fact that, from September, 1928, down to the date when she was sunk, the *I'm Alone,* although a British ship of Canadian registry, was *de facto* owned, controlled, and at the critical times, managed, and her movements directed and her cargo dealt with and disposed of, by a group of persons acting in concert who were entirely, or nearly so, citizens of the United States, and who employed her for the purposes mentioned. The possibility that one of the group may not have been of United States nationality we regard as of no importance in the circumstances of this case.

The Commissioners consider that, in view of the facts, no compensation ought to be paid in respect of the loss of the ship or the cargo.

The act of sinking the ship, however, by officers of the United States Coast Guard, was, as we have already indicated, an unlawful act; and the Commissioners consider that the United States ought formally to acknowledge its illegality, and to apologize to His Majesty's Canadian Government therefor; and, further, that as a material amend in respect of the wrong the United States should pay the sum of $25,000 to His Majesty's Canadian Government; and they recommend accordingly.

The Commissioners have had under consideration the compensation which ought to be paid by the United States to His Majesty's Canadian Government for the benefit of the captain and members of the crew, none of whom was a party to the illegal conspiracy to smuggle liquor into the United States and sell the same there. The Commissioners recommend that compensation be paid as follows:

For the captain, John Thomas Randell, the sum of	$7,906.00
For John Williams, deceased, to be paid to his proper representatives,	1,250.50
For Jens Jansen	1,098.00
For James Barrett,	1,032.00
For William Wordsworth, deceased, to be paid to his proper representatives	907.00
For Eddie Young	999.50
For Chesley Hobbs	1,323.50
For Edward Fouchard	965.00

For Amanda Mainguy, as compensation in respect of the death of Leon Mainguy, for the benefit of herself and the children of Leon Mainguy, (Henriette Mainguy Jeanne Mainguy and John Mainguy) the sum of $10,185.00

In submitting this, their final report,

The Commissioners have etc.

WILLIS VAN DEVANTER
LYMAN P. DUFF

144.

Le secrétaire d'État des États-Unis au ministre aux États-Unis
Secretary of State of United States to Minister in United States

Washington, January 19, 1935

Sir,

I have the honor to refer to the Joint Final Report, dated January 5, 1935, of the Commissioners appointed by the United States and Canada to consider the claim of Canada in respect to the sinking of the schooner *I'm Alone* on March 22, 1929, which was filed with our respective Governments on January 9, 1935.

I note that the Commissioners found as a fact that, from September, 1928, down to the date of the sinking, the vessel was owned, controlled, and at the critical times managed, her movements directed and her cargo dealt with and disposed of, by a group of persons acting in concert who "were entirely, or nearly so, citizens of the United States, and who employed her for the purposes mentioned", namely, rumrunning, the cargo being destined for illegal introduction into, and sale in, the United States, and that they concluded that no damages should be awarded for the vessel or cargo, but, nevertheless, recommended that certain other payments should be made by the United States.

In accordance with the recommendations of the Commissioners and the provision of Article 4 of the Convention of January 23, 1924, that effect shall be given to the recommendations contained in the joint report of the Commissioners, I am taking steps to obtain an appropriation for $50,666.50 which the Commissioners recommended should be paid by the United States to His Majesty's Canadian Government.

Although the Commissioners find that the mission and use of the vessel at the time of its sinking were unlawful, nevertheless they also find that its sinking by the United States officers was unlawful. The Government of the United States, therefore, tenders to His Majesty's Canadian Government an apology for the sinking of the vessel.

Accept etc.

CORDELL HULL

145.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 204 Washington, February 9, 1935

Sir,

I have the honour to enclose copies of bill No. 5496 which was introduced in the House of Representatives by Mr. Doughton, Chairman of the Ways and Means Committee, on February 7th. This measure has been drafted at the instigation of the Treasury Department in order to further Mr. Morgenthau's campaign against the smuggling of liquor into the United States. I have only received copies of it this morning and have had time to do no more than glance at it. It is clear that it raises a number of questions concerning jurisdiction within coastal waters and methods of enforcing the Smuggling Convention of 1924.

2. I would suggest that this measure should be examined at once by the Legal Adviser and I should welcome an expression of your views on its contents.

I have etc.

H. H. WRONG
for the Minister

146.

Le chargé d'affaires des États-Unis au secrétaire d'État aux Affaires extérieures
United States Chargé d'Affaires to Secretary of State for External Affairs

No. 405 Ottawa, February 22, 1935

Sir,

In accordance with the provisions of Article V of the Convention of June 6, 1924, between the United States and Canada for the Suppression of Smuggling and the regulations promulgated by both governments to give effect to this Convention, the United States Consulate General at Ottawa on July 5, 1934, requested the Commissioner of Customs of the Department of National Revenue at Ottawa to supply certified copies of certain documents relating to the exportation of liquors from the Province of British Columbia. A list of these documents will be found in the letter of July 5, 1934, from the Consulate General at Ottawa, of which I have the honor to enclose a copy.[1]

[1] Non reproduite. [1] Not printed.

In accordance with this request, instructions were issued to the Collectors of Customs at Vancouver, New Westminster and Victoria to proceed with the matter, as shown in the letter of the Assistant Commissioner of Customs to the American Consulate General at Ottawa dated July 6, 1934, of which I have the honor to enclose a copy. Subsequently it developed, according to the Collector of Customs at Vancouver, that the request covered thousands of documents, and inquiry was made by the Assistant Commissioner of Customs of the Consulate General at Ottawa regarding the cost of the certified copies desired. A copy of the letter of the Assistant Commissioner of Customs of July 14, 1934, dealing with this point is enclosed herewith. The United States Consul General at Ottawa was informed on August 21, 1934, by the Department of State that the Supervising Customs Agent at Seattle, Washington, was conferring with the Canadian officials at Vancouver for the purpose of determining what documents must be copied. On August 20, 1934, a revised list of these documents was furnished to the Department of State and forwarded on August 25, 1934, to the Assistant Commissioner of Customs at Ottawa, as shown in the enclosed letter of the above date. On August 28, 1934, the Assistant Commissioner of Customs replied to the United States Consulate General stating that he was communicating the new list to the Collectors at Vancouver, Victoria and New Westminster. A copy of the Assistant Commissioner's letter of August 28, 1934, is enclosed. A further letter was received from him on September 18, 1934, of which a copy is enclosed, dealing with practical questions concerned with providing photostats of the documents. This letter was replied to on September 19, 1934, by the United States Consulate General in a letter to the Assistant Commissioner of Customs, and a copy of this letter is enclosed.

On November 21, 1934, the Assistant Commissioner of Customs addressed the United States Consul General and enclosed a copy of a letter received from the Collector at Vancouver, with enclosures, to advise him of the progress being made in arranging for the production of these papers. A copy of the transmitting letter is enclosed. This letter was acknowledged by the United States Consul General in his letter of November 28, 1934, of which a copy is enclosed. It will appear from this correspondence that some revision was made in the list of documents requested under the treaty as the result of a conference between Canadian and United States customs officials.

It appears that in January, 1935, the Consulate General at Ottawa received advice that the Canadian Collector of Customs at Vancouver had been ordered to cease having photostats made of the documents referred to above. On January 21, 1935, Consul Schoenrich, stationed at the United States Consulate General at Ottawa, called upon Mr. Blair, Assistant Commissioner of Customs, to inquire regarding this cessation and was informed that the matter was now in abeyance pending determination of a certain point with the Department of External Affairs. The United States Consul General at Ottawa on that date wrote a letter to Mr. Blair, of which I have the honor to enclose a copy. On January 25, 1935, Mr. Blair replied to the United States Consul General at Ottawa that the production of the papers asked for

from the records of the Customs offices in British Columbia had been halted pending decision by the Department of External Affairs as to whether the Department would be justified in furnishing the information. I have the honor to enclose a copy of this letter herewith. On February 9, 1934, Mr. Blair again addressed a letter to the United States Consul General at Ottawa, of which I have the honor to enclose a copy, which states that

> The Under-Secretary of State for External Affairs points out that some of these requests raise important questions of policy that will require consideration by the government and he suggests that it would be most convenient if you would cause these requests to be submitted through diplomatic channels in order that all the facts relating thereto might be available for consideration by the government.

In view of the foregoing, I have the honor to confirm to your Government the request which has been made by the United States Consul General at Ottawa in accordance with Article V of the Convention of June 6, 1924, between the United States and Canada for the Suppression of Smuggling and the regulations promulgated by the two Governments in connection therewith pertaining to the production of the revised list of documents dealing with the exportation of liquors from British Columbia, as given in the letter of November 16, 1934, from the Collector of Customs at Vancouver to the Assistant Commissioner of Customs at Ottawa. For your convenience I have the honor to enclose herewith a copy of this letter, which was furnished by Mr. Blair to the United States Consul General.

I have the honor to request that you be so kind as to advise me as soon as may be practicable of any points about which you may be in doubt so as to permit the production of these documents being continued as soon as may be possible, since my Government is most anxious to obtain these documents at the earliest possible moment for use in legal proceedings now pending in the courts of the United States.

I avail etc.

PIERRE DE L. BOAL

147.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 609 Washington, May 20, 1935

SECRET

Sir,

In the past month I have had the honour to report verbally on several occasions to the Acting Prime Minister and the Under-Secretary of State for External Affairs and officials of the National Revenue Department con-

cerning the present situation governing the United States Treasury's claim for back taxes against the Canadian distilleries, and I shall now attempt to summarize what has transpired within that period.

2. At the invitation of the Secretary of the Treasury, Mr. Morgenthau, and with the approval of the Acting Prime Minister, I called, some three weeks ago, upon Mr. Morgenthau and discussed informally with him and his legal advisers certain aspects of the Treasury's claims against Canadian distilleries. As a result of this talk I formed the following definite opinions:

(*a*) That Mr. Morgenthau resents the Dominion Government's refusal to permit officials of the Treasury Department an examination of the books of the Department of National Revenue. Rightly or wrongly, Mr. Morgenthau takes the view that this is an acute departure from the reciprocal practice heretofore prevailing, is not warranted by the terms of the Anti-Smuggling Act, and offends against the rules of international comity. I gather that Mr. Morgenthau, while maintaining the right to the examination of all the distilleries' export documents, would be willing to refrain from pressing other claims to examination if the data regarding Reiffels was now made available. The practical point for immediate decision, therefore, appears to be whether such a distinction between the Reiffels and the other distilleries can be made as would justify discriminatory action against the former. If so, the element of urgency in the situation will be considerably relieved. There is no doubt that Mr. Morgenthau means to take all steps possible to obtain this export data. He has mentioned to me the definite possibility of the Treasury refusing import licences for goods of those companies against which the Treasury has unsatisfied claims; though nothing he said would justify the assumption that such action would be taken in respect to claims not yet established in law.

(*b*) That Mr. Morgenthau intends to bring all claims against the Canadian distilleries to suit, unless some general disposition of them can be made in another way. For naturally, he would much prefer to avoid litigation or any other overt act which might be the cause of trouble or hostile comment. I do not see in Mr. Morgenthau's attitude other than a continuing most friendly disposition toward us. At the same time, he clearly believes that it is his duty to attempt to collect these alleged arrears of taxes, and, as I say, he proposes to persist. I feel justified in saying that Mr. Morgenthau would welcome an opportunity to discuss the question of settlement with me. He has in fact intimated that there should be no reason why he and I could not make a settlement. Observations of so general a nature, however, do not always serve as a dependable guide.

3. It was thought proper, during the absence of the Prime Minister, to attempt to ascertain more precisely the nature of the Treasury's claims, their amounts, and the likelihood of their being successfully pressed in suit. Dr.

Skelton, officials of the Department of National Revenue, and I interviewed informally legal representatives of the Seagram-Bronfman and Walker interests. From them little information of a definite nature was obtainable. We did learn, however, that the distilleries were labouring under the somewhat irrational impression that the only thing needed to settle the whole matter was a friendly word from the Canadian Minister to the Secretary of the Treasury. Indeed, the opinion seemed to be held by more than one that such a friendly word had already passed, and that, therefore, the crisis had passed with it. We took steps to immediately correct this dangerous misconception of the situation, and impressed upon the representatives of the two distilleries mentioned that their situation was serious and acute. And so I conceive it to be. For which reason, I most respectfully request that I be instructed, without delay, upon the course I am to follow.

4. Mr. Morgenthau expects me to call on him again within the next few days. I believe that my previous interview undoubtedly had the effect of postponing for the moment action against the distilleries; but unless this interview is followed up by another, in which I am able to make some concrete forward suggestions, I feel that Mr. Morgenthau will be obliged, however reluctantly, to take the course which, without the intervention of the Canadian Government, would be the natural one for him to follow.

I have etc.

W. D. HERRIDGE

148.

Mémorandum par le sous-secrétaire d'État aux Affaires extérieures
Memorandum by Under-Secretary of State for External Affairs

[Ottawa,] May 28, 1935

U.S. ACTION AGAINST CANADIAN DISTILLERIES

I telephoned the Canadian Legation at Washington this afternoon to enquire whether Mr. Morgenthau had arranged definitely for an appointment with Mr. Herridge tomorrow. Mr. Wrong replied that an appointment had been set for 10.30 Washington time tomorrow (11.30 Ottawa time). I asked Mr. Wrong to tell Mr. Herridge that the question of concurrence in the United States request for documents in the Reifel case was under consideration, and that we would let him know before that hour of the tenor of the note that was being sent to the United States Legation here.

Mr. Wrong gave further particulars of the action reported in the press to secure an amendment to the Liquor Importing Code, giving additional powers to the Treasury and Justice Departments. Mr. Wrong stated that Mr. Choate, Head of the Federal Alcohol Control Administration, had

announced on Saturday, May 25th, that public hearings would be held on June 5th to consider the request of the Treasury and Justice Departments for an amendment to the Liquor Code.

The proposed amendment takes the form of a new section added to Article 5, which specifies eight different cases of unfair competition forbidden by the Code. It forbids "importers to import or to bring into the United States any alcoholic beverages produced by anyone outside the United States (whether or not such alcoholic beverages were obtained direct from such person) for such period as the Federal Alcohol Control Administration may specify, after notification by the Administration that such person has refused and continued to refuse to submit himself to the jurisdiction of the Courts of the United States for adjudication of civil proceedings which have been instituted against such person on a claim under the Customs law of the United States in connection with the alleged illegal importation of alcoholic beverages, provided that in no case shall such prohibition continue after such person has submitted himself to the jurisdiction of the Court." (We are not aware that Reifels had refused to submit to the civil jurisdiction in the case brought against him. Reifel jumped his bail on a criminal conspiracy charge).

Since May 25th, the whole legal basis of the F.A.C.A. has disappeared as the result of the Supreme Court Decision, and Mr. Choate is understood to have informed the members of his staff yesterday that the legal basis of their employment had been removed and that unless Congress took action in the meantime, it was possible the work of the F.A.C.A. would be wound up by June 16th. Under these circumstances he may not proceed with the hearings. It still remains possible, however, for the Treasury Department, by the mere launching of suit against companies other than the Reifel Company, to cripple their sales arrangements in the United States.

O. D. S.

149.

Le secrétaire d'État aux Affaires extérieures au chargé d'affaires des États-Unis

Secretary of State for External Affairs to United States Chargé d'Affaires

No. 48 Ottawa, May 28, 1935

Sir,

I have the honour to refer to your note No. 405, dated the 22nd February, 1935, in which you submitted, on behalf of the United States Government, a formal request for the production by the Commissioner of Customs of certified copies of certain documents relating to the exportation of liquors

from the Province of British Columbia. These documents were listed in a letter, dated the 5th July, 1934, from the Consulate General at Ottawa, copy of which was enclosed with your note.

I understand that the request for these documents was based upon the view that it was justified by the provisions of the Convention of the 6th June, 1924, between the two Countries for the suppression of smuggling.

As you pointed out in your note, the Assistant Commissioner of Customs deferred the production of these documents in view of the fact that the requests raised certain important questions of policy which required consideration by the Government.

The Canadian Government is desirous of co-operating with the United States Government in every way that may be reasonably available, with a view to the suppression of smuggling between the two Countries and, particularly, in carrying out all the obligations that may be imposed upon the Canadian Government under the provisions of the Convention. On the other hand, it seemed to be necessary to give very careful consideration to the particular request which might possibly be regarded as going beyond the obligations imposed by the Convention.

You are of course aware that under the law in force in this Country—and I believe that the laws in the United States are the same in this respect—information and records obtained by the Treasury in the course of the collection of revenue is normally regarded as being of a confidential character. The question has been raised as to whether the obligations imposed upon the Governments by the provisions of this Convention are limited to the furnishing of information, whether by the production of official witnesses or documents in aid of the primary objectives of the Convention, namely, the suppression of smuggling operations along the border, the arrest and prosecution of persons violating the narcotic laws of the two Governments, and transportation of liquor through Alaska into the Yukon Territory. You are, of course, aware that the Canadian Government has already furnished at the times of shipment, all of the information which was requested in respect to the shipments in question, as well as in respect of all other shipments of liquors, with a view to the suppression of smuggling and also in aid of all criminal or civil proceedings that have arisen in the past that could clearly be regarded as being directed to the suppression of smuggling.

A further question has been raised as to whether the present request is either wholly, or to a substantial degree, related to a regime which has now ceased to exist, and that it is directed, not to the suppression of smuggling, but to penal and fiscal measures against Canadian citizens.

There is a further question as to whether the provisions of Article V of the Convention, even if they are given the wide construction contended for, would be limited to the production of specified documents in aid of existing proceedings, or to Letters Rogatory and Commissions issued in compliance with the laws of the applicant country. According to this view, the furnishing

of all documents over a period of years, irrespective of whether they relate to a particular cause of action, or a particular criminal charge, could not be justified.

In view of these suggestions, the Canadian Government is giving consideration to the question whether they would be justified under the provisions of the Convention in furnishing what would otherwise be confidential information against the interests of the private individuals concerned. They would appreciate, therefore, your views as to the grounds upon which this particular request might be brought within the true intent and purpose of the Convention. Upon receipt of this information it should be possible for the Government to give an immediate reply to your request.

Accept etc.

R. B. BENNETT

150.

Mémorandum par le Conseiller juridique
Memorandum by Legal Adviser

[Ottawa,] June 7, 1935

PRESENTATION OF THE CLAIM OF THE *JOSEPHINE K.*

1. This question was raised by Mr. Ernst, acting as solicitor for the widow and children of the late Captain Cluett, in May of last year, and again in a letter dated the 23rd May of this year. Two questions are raised, the first being the question of negotiation with the United States Government with a view to compensation; and the second being the initiation of proceedings under Article 4 of the Convention of 1924.

2. The Canadian Government has already made diplomatic representations and has taken every step that is available to procure compensation for the widow and children of the late Captain Cluett, apart from the possible submission of the claim under Article 4 of the Convention of 1924.

The United States Government finally refused to consider any settlement based upon negotiation, and the whole matter was reviewed in November 1932, in order to determine whether the claim was one that should be submitted under the terms of Article 4.

3. In considering this question, it was necessary to bear in mind that its submission would involve prolonged litigation, commencing with an inquiry before two Commissioners and, in the event of a disagreement, which would be practically certain in this case, a hearing before the Pecuniary Claims Commission, which would need to be reconstituted for this case.

4. It was also necessary to consider whether the claim could be submitted without departing from the policy which was adopted by all of His Majesty's Governments shortly after the conclusion of the Convention. This policy related to the determination of the kind of claims that would be presented in the case of illegal or improper action by the United States coastguard. It appeared that it would be necessary to negotiate with the others of His Majesty's Governments before presenting a claim.

5. The advisability of acting in this case was complicated by the record of the ship and by the fact that the ship was caught *in flagrante delicto,* at a point that was at any rate very close to the hour's sailing distance. Further, the question of successfully maintaining such a case depended upon convincing an international tribunal on disputed questions of fact. The United States' case would be that the *Josephine K.* was within the hour's sailing distance, while the Canadian case, if established, would indicate that the vessel was a few hundred yards outside of that distance and at a point where the coastguard officer could not be criticised severely in assuming that he was within the hour's sailing distance.

6. The situation was also complicated by the fact that the owners of the ship compromised their claim upon terms that admitted the legality of the seizure. Technically, the Canadian Government was not prepared to admit that the owners of the ship in a case of this sort could, by their action, preclude the presentation of a claim by the Government. The United States, on the other hand, contended that the compromise of the claim by the ship settled the matter, because the claim, under the Convention, can only be presented in the name of the ship. Even if the Tribunal accepted our view on this point, its members could not fail to be influenced by this admission on the part of the owners.

7. In the circumstances, it was decided not to attempt to force an adjudication of this case by itself. No action was taken that would preclude the submission of the claim at a subsequent date, in the event that the Canadian Government decided to refer this and other claims for adjudication under the Convention.

8. In the meantime, the repeal of prohibition in the United States has affected the situation to some extent. While it is unlikely that smuggling has been brought to an end, and while there has been a revival of activity in coastal smuggling, it is not probable that the United States coastguard will exceed their rights as much in the future as in the past.

9. In the circumstances there would be substantial objections to providing for the establishment of an international commission to conduct the preliminary inquiry, and for the reconstitution of the Pecuniary Claims Commission, especially for this one case. The question whether it will be possible to deal with it along with a number of other claims at a future date, will depend upon the settlement of questions of policy which will require serious consideration from the Government. At the present the only course that can be followed

is to avoid any action that would preclude the possible submission of this claim at a future date, although it must be borne in mind that such submission is to be regarded as a possibility, rather than a probability.

151.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

DESPATCH 170 Ottawa, June 12, 1935

Sir,

I have the honour to refer to your despatch No. 204 of the 9th February, 1935, forwarding copies of House of Representatives Bill 5496 for the prevention of smuggling and the authorization of Customs enforcing areas. The measure has been carefully analysed by the Legal Adviser of this Department and by representatives of other Departments concerned, namely, Justice, Marine and Customs.

2. The assumption of jurisdiction under this Bill goes beyond that seriously attempted by any important country in recent years, though it has close analogy in the old British Hovering Acts. It might have been anticipated that the Government of the United Kingdom, in view of the emphasis which it gives to considerations of naval strategy, the exercise of the right of fishery by British fishermen along the coasts of foreign countries, and the predominance of her mercantile trading interests, might have taken exception to some of the provisions of the Bill. As we are advised, this has not been done, at least thus far. While similar considerations are of importance from the Canadian point of view, and have given rise to serious doubts on the part of some other Departments which have examined the Bill, on the whole it appears that Canadian interests would warrant the recognition of an extension of jurisdiction beyond the limits previously recognized. The growth of smuggling, particularly of liquor, on Canadian coasts, and the heavy losses to the revenue occasioned thereby, have made it necessary in Canada's case as well to assert wider jurisdiction than had previously been recognized as proper, and this fact, together with the changing public attitude towards the much lessened extent of smuggling by Canadian vessels into the United States, appears to justify a hesitation to oppose in principle efforts by the United States to assert jurisdiction for anti-smuggling purposes. The provisions of the Bill will not apply to Canadian vessels so long as the Treaty of 1924 is in force. It is true that they would apply if this Treaty lapsed, and that if the present Bill becomes law in the United States, it would undoubtedly increase the bargaining power of the United States in any further discussions as to the continuance or modification of the 1924 Treaty. On the whole it does not appear advisable to lodge any protest at the present time. One minor

factor leading to this conclusion is the fact of the controversy which at present exists with the United States Government as to the charges brought or pending against Canadian distilleries for alleged smuggling into the United States during the prohibition era.

3. I enclose a memorandum by the Legal Adviser of this Department on the subject.[1]

4. Consideration has been given to the possibility referred to on page 19 of the enclosed memorandum of sending a note to the Secretary of State of the United States, indicating that in the possible contingency of the expiration of the 1924 Convention, the United States Government should not consider that failure to offer any observations at the present time implied acquiescence by the Canadian Government in all the assertions of jurisdiction over foreign vessels on the high seas involved in the proposed Bill. It has been concluded, however, that for the present it is not advisable to take this action.

5. I should be obliged if you could inform us if any representations are made to the Secretary of State by the United Kingdom or any other country.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

152.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 717 Washington, June 20, 1935

Sir,

With reference to your despatch No. 170 of June 12th, 1935, and previous correspondence concerning the Anti-Smuggling Bill, which is now before the Congress of the United States, I have the honour to report that I have been confidentially informed by the British Embassy that the British Ambassador has addressed an informal communication to the Secretary of State on this measure, in accordance with cabled instructions from the Foreign Office. I enclose herewith copies of Sir Ronald Lindsay's letter.[1] This reiterates the views upheld in recent years by the Government of the United Kingdom with regard to the right in international law of a State to exercise jurisdiction outside territorial waters over foreign vessels. It will be observed that further representations may later be made.

[1] Non reproduits. [1] Not printed.

2. So far as I can ascertain, no other Government has as yet made representations to the Secretary of State on this bill. The Swedish Minister made verbal enquiries shortly after the bill was introduced, but proceeded no further after receiving an assurance that its passage would not affect the situation of vessels registered in countries which are parties to smuggling conventions with the United States. Similar enquiries may have been made by representatives of other countries.

3. The bill is now before the Senate Committee on Finance, and will probably be reported to the Senate within a few days.

I have etc.

W. D. HERRIDGE

153.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

DESPATCH 186 Ottawa, June 29, 1935

Sir,

I have the honour to refer to your despatch No. 717, dated the 20th June, 1935, and to the previous correspondence concerning the Anti-Smuggling Bill.

In view of the action taken by the British Embassy, I think that an informal communication might be made to the Secretary of State. It might be pointed out that the provisions of the Bill had been examined by the Canadian Government and it was found that they had no application to Canadian shipping, save within the limits justified by the Convention of 1924. On the other hand, in the event, improbable it is true, of the expiration of that Convention without the substitution of other treaty arrangements, a different situation would arise. Accordingly, the Government of the United States should not consider that a failure to offer any observations at the present time indicated acquiescence by the Canadian Government in all of the assertions of jurisdiction over foreign vessels on the high seas that are involved in the proposed Bill.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

154.

Le chargé d'affaires des États-Unis au secrétaire d'État aux Affaires extérieures

United States Chargé d'Affaires to Secretary of State for External Affairs

No. 507 Ottawa, July 2, 1935

Sir,

I have the honor to refer to your note No. 48 of May 28, 1935, regarding a request made by my Government for the production by the Canadian Government of certain documents relating to the exportation of liquors from the Province of British Columbia. These documents were requested by my Government under the Convention of June 6, 1924, between the United States and Canada "To Suppress Smuggling", for use at the trial of a case now pending in the United States District Court for the Western District of Washington, at Seattle, wherein the United States is the complainant and the Pacific Forwarding Company, and others, are the defendants.

My Government has instructed me to inform you that the matters set forth in this note have been given careful consideration and that the following are the views of my Government with respect to the several questions raised therein.

The Secretary of State for External Affairs states that the information and records obtained by the Treasury in the course of the collection of revenue are normally regarded as being of a confidential character. There appears to be no statutory provision in the United States under which these documents are required to be treated as confidential, although such records are generally so regarded by the Treasury Department. Nevertheless, in view of the obligations contained in Article V of the Convention of June 6, 1924, my Government has on several occasions furnished to the Government of Canada information ordinarily considered as being of a confidential character.

It is the view of my Government that the documents desired are well within the records contemplated by Article V of the Convention, which refers specifically to customs officials and the production of such available records and files, or certified copies thereof, as may be considered essential to the trial of civil or criminal cases. The documents requested are all customs records with the possible exception of the marine documents covering the registration or licensing of vessels, and are in the custody of the Collector of National Revenue at Vancouver. They are needed in connection with the trial of a civil case already instituted in the courts of the United States. Similar documents have been furnished by the Canadian Government in the past and their confidential nature has not been, and should not be, held to apply in cases of this character when they have been properly requested under the terms of the Convention by one Government of another for the purpose specified in the treaty.

With respect to the question whether the obligations imposed upon the two Governments are limited to the furnishing of information in aid of the suppression of smuggling operations along the border, and the other objects stated in the Convention, it is the view of my Government that information for use in suits instituted against persons and firms for failure to meet past obligations arising out of smuggling activities was intended to be covered by the treaty. The treaty fixes no time limit within which information for use in such suits must be requested. In the present case the Tariff Act of 1930 places a limitation of five years on the institution of suits of this nature.

It is noted that the Secretary of State for External Affairs states that the Canadian Government has already furnished, at the times of shipment, all of the information which was requested in respect to the shipments in question. The information which is now desired was not previously requested and has not been furnished heretofore. The shipments were apparently lawful exports of liquor from Canada, but my Government is now seeking to prove the foreign origin of the liquor and that it was smuggled into the United States.

With regard to the question whether the present request is related to a regime which has now ceased to exist and that it is directed, not to the suppression of smuggling but to penal and fiscal measures against Canadian citizens, it should be pointed out that the complaint in the suit in which the documents are needed is based on the Tariff Act of 1930, which is still in force and effect, and on prior Acts. It should be pointed out, furthermore, that smuggling between the two countries, both ways, did not cease with the repeal of the 18th Amendment to the Constitution of the United States and that punishment, or accountability, for past operations tends toward the suppression of smuggling in the future.

My Government does not regard the request as going beyond the scope of the Convention. The documents desired are only those necessary for use in a case now pending, which arose out of past smuggling operations, the object of which is to recover from the Pacific Forwarding Company, and others, the duties and internal revenue taxes on liquor smuggled into the United States during a period of five years prior to the filing of the complaint, and also to recover the domestic value of the liquor imported, as provided in the Tariff Act of 1930. Such cases should be considered as included under the terms of the Convention providing for the furnishing of documents "essential to the trial of civil or criminal cases".

Although the information desired embraces a five year period, the request covers specific documents which are important, in aid of existing proceedings to establish the smuggling of liquor into the United States.

The case in which the documents under discussion are needed has been set for trial in the United States District Court at Seattle, Washington, on July 23, next. It is therefore essential that they be received as soon as possible. You will recall that they were originally requested of the Canadian authorities in a letter from the American Consulate General at Ottawa

dated July 5, 1934, and that as the result of a conference between the Supervising Customs Agent at Seattle and the Canadian Collector of National Revenue at Vancouver an agreement was reached as to the documents which would be needed.

The Government of the United States deeply appreciates the splendid cooperation given by the Government of Canada in connection with the suppression of smuggling. Smuggling between the two countries will probably continue to be an ever-present problem. Those engaged in this illicit traffic will not hesitate to smuggle into either country, their own as well as another, and without such cooperation the authorities of the two countries would find it difficult to cope with the situation. Provisions similar to those contained in Article V of the treaty "To Suppress Smuggling" are also contained in conventions between other Governments and a treaty for the repression of smuggling between the States which are members of the Pan American Union is one of the matters to be considered at the Pan American Commercial Conference now in progress at Buenos Aires, Argentina. The Convention meets a present need and its use in connection with legal proceedings against persons and firms for taxes and duties arising out of smuggling transactions will serve as a deterrent to future activities of a similar nature by them and by others.

It is earnestly hoped, therefore, that the Government of Canada will see its way clear to furnishing the documents in time to be of use at the trial on July 23, 1935.

I avail etc.

PIERRE DE L. BOAL

155.

Le secrétaire d'État aux Affaires extérieures au chargé d'affaires des États-Unis

Secretary of State for External Affairs to United States Chargé d'Affaires

No. 74 Ottawa, July 10, 1935

Sir,

I have the honour to refer to your memorandum No. 507, dated the 2nd July, 1935, concerning the request which had been made by your Government for the production by the Canadian Government of certain documents relating to the exportation of liquors from the Province of British Columbia.

The Canadian Government are much gratified by your Government's appreciation of the co-operation received in the suppression of smuggling. On their part, the Canadian Government are equally appreciative of the aid given by the authorities of the United States in the control of illicit traffic across

the boundary, and convinced of the desirability of continuing co-operation in checking the evasion of the revenue laws of both countries.

The difficulty which the Canadian Government have met in complying with the request under reference does not rest upon any lack of appreciation of the importance of such border co-operation in principle, nor upon any hesitation to carry out to the full every requirement of the Convention of 1924, which was designed to facilitate this co-operation on certain specified points. The question has been wholly as to whether requests of so extensive a character and having to do with transactions under a regime which came to an end years ago, and which was terminated in large measure as a result of a further and extensive degree of neighbourly co-operation in the enactment by the Parliament of Canada of the Export Act of 1930, could reasonably be held to come within the scope and purpose of the Convention. Without prejudice to the interpretation of the Convention in any future instances, and having regard to the fact that in the present instance preliminary steps were taken toward acceding to the request, the Canadian Government have given instructions that the information presently requested, so far as available, be furnished to the representatives of your Government. While the Departments concerned are arranging for the provision of the documents with the utmost despatch, it may not be possible to furnish them all in time for use in the proceedings which begin on the 23rd July. You will be informed as soon as possible of the dates on which the documents will be available.

Accept etc.

R. B. BENNETT

156.

Le conseiller à Washington au Conseiller juridique
Counsellor in Washington to Legal Adviser

PERSONAL Washington, November 18, 1935

Dear John,

If you do not know it already, Robertson can tell you the full story of our difficulties about the United States' concession on whiskey, and how Mr. Morgenthau's reluctance to consent endangered the conclusion of the Agreement during the critical days of November 9th, 10th and 11th. He withdrew his objection just in time to permit the arrangements to be fulfilled for the simultaneous announcement in Ottawa and in Washington on November 11th that agreement had been reached.

As a condition of granting his consent he wrote to the State Department a letter which was to be shown to us. The State Department only undertook to show us this letter without transmitting it officially or expecting a reply. Hickerson read [it] to me over the telephone, and later showed it, I believe, to Dr. Skelton at the Department. The terms of the letter were to the effect

that the reduction in the whiskey duty had no relation to the efforts of the Treasury Department to collect back taxes from Canadian distillers, and it went on to say that Mr. Morgenthau assumed that the Canadian Government, if called upon, would continue to extend to the United States its usual co-operation under the Treaty of 1924.

I think it advisable to let you know of this in advance of Dr. Skelton's return, as the distillers are probably trying to extract information from the Department. I think that Dr. Skelton had a few words on the subject with Mr. Morgenthau during his visit here. Our impression is that he is particularly intent on forcing the issue with respect to Consolidated Distillers-Seagrams, and I believe that Special Agents have recently been sent to West Indian ports in order to try to link this firm with the ownership of smuggling vessels. His attitude certainly made it impossible for us to press for any settlement of the suits in connection with the trade negotiations. We could have got no concession on whiskey if we had made any such demand.

We have, of course, made no commitments whatsoever with regard to the action of the Canadian Government in dealing with any further requests for access to our records under the Treaty of 1924.

Yours ever,

H. H. WRONG

157.

Le Conseiller juridique au Commissaire adjoint, G.R.C.
Legal Adviser to Assistant Commissioner, R.C.M.P.

CONFIDENTIAL Ottawa, December 19, 1935

Dear Colonel Jennings,

I am enclosing a copy of the personal and confidential memorandum from the United States Minister dated December 17, 1935, in order that you may be able to ascertain whether it is practicable to obtain the desired information.

If you find that it is feasible to obtain the information, we should like to have your opinion as to whether it should be communicated to the United States authorities and as to the appropriate channel for such communication. I am inclined to think that it should take the form of a communication to the Officer of the United States Preventive Services to whom you are sending information relating to smuggling as a matter of routine. If you agree with this view we could communicate with the United States Minister and ascertain if such course is satisfactory to him.

Yours sincerely,

J. E. READ

[PIÈCE JOINTE/ENCLOSURE]

Mémorandum par le ministre des États-Unis
Memorandum by United States Minister

PERSONAL AND CONFIDENTIAL [Ottawa,] December 17, 1935

Certain officers of the American government charged with the investigation of the alcohol smuggling traffic have sought the aid of the Department of State in securing the telephone numbers and the cable and telegraphic addresses of persons in the United States to whom messages are being sent by certain individuals in Canada.

The principals in these illegal enterprises, both in Canada and in the United States, are allegedly in frequent communication with each other and the coordinated Treasury forces engaged in the prevention of smuggling are anxious to determine the identity of those in the United States who are involved in this business. It is particularly desired to know with whom Donald Veinot and W. Lawrence Sweeney, of Yarmouth, Nova Scotia, and W. A. Shaw of Halifax, Nova Scotia, communicate.

The first two are said to have been indicted on November 9, 1935, at Bangor, Maine, in a conspiracy case involving 31 other defendants. The Canadian authorities are said to have heretofore seized books and records of the W. A. Shaw Company, Limited, of Halifax, in connection with a recent Canadian smuggling conspiracy.

158.

Le Commissaire adjoint, G.R.C., au Conseiller juridique
Assistant Commissioner, R.C.M.P., to Legal Adviser

CONFIDENTIAL Ottawa, December 21, 1935

Dear Mr. Read,

1. Replying to your personal and confidential letter of the 19th instant, with its enclosure, the subject matter thereof has been discussed this morning with the Commissioner.

2. This is considered of such serious importance that the Commissioner would like if you would be good enough to write fully in regard thereto in an official communication to him.

3. He asks also that in such communication you will be good enough to advise if it is the intention of the present Government to carry out the terms of the Treaty with the United States dated June 6th, 1924, by which

each country is under obligation, upon request, to communicate with the other matters of mutual interest affecting the Customs or Preventive Service Branch of either country in relation to sailings of ships, or other clearance of liquors, alleged to be destined to the other country.

4. In regard to the information asked for in this particular instance, it is possible it does not come within the terms of the above mentioned Treaty, but it undoubtedly does come under the Agreement entered into between representatives of the Preventive Services of the two Countries at a conference in Ottawa on the 20th and 21st September, 1934. One of the paragraphs in the Agreement states,

> By a full interchange of all pertinent information originating with the various co-operating agencies.

5. It is considered, therefore, that this information can be confidentially obtained and submitted to you upon official request that such action be taken by this Force.

Yours very truly,

G. L. JENNINGS

159.

Mémorandum par le Conseiller juridique
Memorandum by Legal Adviser

[Ottawa,] December 24, 1935

REQUEST BY U.S. MINISTER FOR CERTAIN INFORMATION

1. A Memorandum, dated the 17th December, 1935, personal and confidential, from the U.S. Minister, intimated that the U.S. Preventive Services desired to obtain the telephone numbers, cable and telegraphic addresses of persons in the United States to whom messages are being sent by Donald Veinot and W. Lawrence Sweeney, of Yarmouth, Nova Scotia, and W. A. Shaw of Halifax, Nova Scotia.

2. This request raises a question of policy on which it is necessary to obtain a ruling from the Secretary of State for External Affairs.

3. This information can be obtained by the R.C.M.P. and transmitted, if it is in accordance with the policy of the Government to do so.

4. Before taking any action, the R.C.M.P. desire to know whether it is the intention of the Government to carry out the terms of the Treaty of the United States, dated the 6th June, 1924, by which each country is under obligation, upon request, to communicate with the other, matters of mutual interest affecting the customs or preventive service branch, of either country,

in relation to sailings of ships, or other clearance of liquors, alleged to be destined to the other's country.

It is assumed that the R.C.M.P. desire to know whether the Convention is to be broadly and generously interpreted or narrowly interpreted; because, of course, there could be no question of the Government's intention to carry out the obligations of the Convention.

It is suggested that the only safe course to follow with regard to this Convention is to interpret it strictly, and to comply with any requirements by the U.S. Government which come within the ambit of the legal obligation of the Convention.

In the event that there are any requirements by the U.S. Government which do not come within the obligation of the Convention, the question of compliance with them should be regarded purely as a matter of policy, having in mind both the question of relations with the U.S. and the need for fair dealing to Canadian citizens.

5. Apart from the legal obligations imposed upon Canada by the Convention, we have in force an executive arrangement between the preventive services of the two countries, whereby there is an exchange of information on a different basis from that which is envisaged by the Convention. This Agreement, which was concluded on the 20th and 21st December, 1934, provides, *inter alia,* for co-operation: "By a full interchange of all pertinent information originating with the various co-operating agencies". Consequently, the information desired by the U.S. Government can be regarded as information coming within the ambit of the executive arrangement.

The present request from the U.S. Minister is an extreme instance of the operation of the executive arrangement. It is suggested that approval should be given, in compliance with the request, but it should be borne in mind that the Government in that manner would be approving of the working of the present co-operative arrangement between the two countries for the suppression of smuggling.[1]

[1] Dans une lettre au Commissaire de la G.R.C. en date du 4 février 1936, le Dr O. D. Skelton déclarait que le gouvernement entendait s'en tenir strictement à la Convention de 1924. Il ajoutait que les arrangements pris en 1934 devraient être maintenus et que tout accommodement avec les États-Unis recevrait l'agrément du gouvernement. Le même jour le ministre des États-Unis en était informé.

[1] In a letter to the Commissioner of the R.C.M.P. dated February 4, 1936, Dr. O. D. Skelton stated that it was the Government's intention to "adhere strictly" to the 1924 Convention. He went on to say that the 1934 arrangements "should be continued" and that compliance with the United States request "would meet with the approval of the Government". On the same date the United States Minister was informed of this decision.

PARTIE 2 / PART 2

COMMERCE ET NAVIGATION
TRADE AND SHIPPING

160.

Décret du Conseil
Order in Council

P.C. 2549 October 10, 1931

The Deputy of His Excellency the Governor General in Council, on the recommendation of the Acting Minister of National Revenue, and having regard to the disturbed condition of exchange between foreign countries and Canada, is pleased to order and it is hereby ordered that in computing the value for duty of goods imported into Canada from any foreign country whose currency has become depreciated, the rate of exchange of such currency shall be fixed at the rate which is ordered and proclaimed by the Governor in Council as authorized by section 55 of the Customs Act; and in case a sum less than the proclaimed value of such foreign currency in Canadian currency for each unit of such foreign currency of the invoice be paid for the said goods, the actual selling price of the goods to the importer shall be regarded as less than the fair market value of the goods when sold for home consumption and the provisions of section 6 of the Customs Tariff shall apply.

161.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, October 20, 1931

Order-in-Council passed yesterday going into effect immediately providing no gold coin, gold bullion or fine gold bars shall hereafter be exported from the Dominion of Canada except under a license granted by the Minister of Finance to a Canadian chartered bank. Measure is stated to be based on necessity of ensuring that obligations payable in gold outside of Canada, particularly in the United States of America, shall be discharged in accordance with the terms thereof, and of ensuring that Canadian trade and commerce may continue to be maintained on a credit structure based on the notes of the Dominion of Canada being secured by gold holdings as stipulated by the Statutes of Canada in that behalf. Copy forwarded by mail.

162.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 161 Washington, February 6, 1932

Sir,

In continuation of my Despatch No. 65 of January 21st last, concerning the possibility of retaliatory action by the United States against the Canadian requirement of direct shipment, I have the honour to transmit to you herewith copies of three bills, introduced in the House and Senate within the past two days, to give effect to the recommendations of the United States Shipping Board with respect to the use of "fighting ships" and to provide for a special tax or duty of 10 per cent upon the value of goods imported into the United States through Canada as retaliatory action against the Canadian requirement of direct shipment.

2. It will be noted that these bills are similar in purpose to measures introduced in the previous Congress. It is significant that their introduction at this time follows a general conference on merchant marine, held in Washington during the past ten days. Public hearings on the bills will be conducted by the House Merchant Marine Committee, beginning Monday, February 8th. Measures enclosed are as follows: H.R. 8874, H.R. 8875, and H.R. 8915.

3. Identical bills have been introduced in the Senate by Senator White of Maine, former Chairman of the House Committee on Merchant Marine.

I have etc.

W. D. HERRIDGE

163.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 273 Washington, March 3, 1932

Sir,

With reference to your telegram of March 2nd and previous correspondence concerning the Shipping Bills dealing with "tourist cruises" and "fighting ships" which are now before the Congress of the United States, I have the honour to enclose a copy of a memorandum which I left yesterday at the

Department of State with Mr. Harvey Bundy, Assistant Secretary of State. In this memorandum I have incorporated the general observations contained in your despatch of February 27th, together with specific information regarding the Canadian interests affected which I have secured from the memorandum prepared by the Canadian Pacific Railway, from the information concerning the Canadian National Steamships contained in your telegram of March 1st, from further information derived from the local office of the Canadian National Railways, and from other sources.

2. Mr. Bundy informed me that representations had been received from many foreign governments and that he was preparing a report to be submitted to the Chairman of the Senate Committee on Commerce. He did not propose to transmit the full text of the representations chiefly because he considered that the threats of retaliatory action which were contained in several of them might have an unfortunate effect on members of the Committee on Commerce and might, when published, stimulate a hostile press campaign. He said that he would probably incorporate a large portion of the text of the Canadian memorandum in the report since it contained more specific information on the effects of the Bills than that which was included in the representations of other countries.

3. Mr. Bundy also showed me a substitute draft of the Bill relating to cruises which I understood to have been prepared by Senator White. This purported to limit the effects of the Bill to cruises in nearby waters and the Caribbean area on vessels taken off their regular route. It would leave unaffected such regular services as those between New York and Bermuda and Boston and Bermuda but it would prevent the Canadian Pacific Railway from continuing its West Indian cruising service. It might permit the Canadian National Steamships to continue to operate the *Prince David* as a cruising vessel in view of their all-year service to the West Indies. I pointed out to Mr. Bundy that language retained in the draft might still unintentionally interfere with the Alaskan services of Canadian lines. It is probably safe to assume that if this Bill passes the Senate at all it will be so amended as to restrict its application explicitly to cruising vessels.

4. The hearing before the Senate Committee takes place tomorrow and I shall forward you a further report probably at the end of this week. The Department of State appears to be definitely opposed to both Bills and its problem is to bring pressure to bear on the Senate Committee in the most persuasive manner possible.

I have etc.

H. H. WRONG
for the Minister

[PIÈCE JOINTE/ENCLOSURE]

Mémorandum
Memorandum

Washington, March 2, 1932

Bills were introduced in both Houses of Congress on February 4th to amend the shipping laws of the United States with respect to tourist cruises and the definition of the phrase "fighting ship". The bills introduced in the House of Representatives (H.R. 8874 and 8875) were favourably reported on February 9th by the Committee on Merchant Marine, Radio, and Fisheries, with the addition of an amendment to H.R. 8875. The identical bills introduced in the Senate (S. 3501 and 3502) have been referred to the Committee on Commerce.

The Canadian Legation has been instructed to commend to the earnest consideration of the Department of State the effect of these measures, the enactment of which, at any rate in their present form, would be seriously detrimental to Canadian shipping interests. The Canadian Legation desires to urge that legislation so widely extending the principle of coastwise shipping laws is not only contrary to long established and widely accepted practice, but must also tend to intensify and extend the restrictions imposed on shipping generally, to the serious detriment of travel facilities between nations. Furthermore, the measures would increase so widely the scope of the coastwise shipping laws of the United States as to make them extend in certain important respects to Canadian ports as well. Moreover, the bills as they are now drafted would embrace regular services long maintained by Canadian lines with which they are undoubtedly not intended to interfere; and these services, convenient and necessary as they are to the regular commerce of both countries, would be hampered and restricted, if not actually eliminated, should the bills be passed without amendments exempting them from their scope.

H.R. 8875 and S. 3502 are designed to restrict to vessels of United States registry tourist cruises from ports of the United States. According to the Report of the House Committee, the particular objects are: (1) to eliminate the so-called "cruises to nowhere" by foreign liners, an unimportant aspect of the cruising traffic which is not participated in by Canadian vessels; (2) to prevent foreign vessels in the course of a cruise from touching at a port in Florida, an infrequent practice which is also not carried on by Canadian vessels; and (3) to diminish competition during winter months with United States shipping engaged in regular services. The passage of the measure, however, would bring results far beyond the attainment of these limited purposes.

Tourist cruises have been developed out of United States ports since the Great War in response to a widespread and increasing public demand for

an opportunity to visit foreign ports, especially during the winter season, while enjoying the comfort of ocean travel on large liners. The demand has been created and in large part served by foreign shipping companies, and Canadian companies have shared in meeting it. The traffic, which has grown up not only in the United States, but also in many other parts of the world, is generally recognized as an entirely legitimate mercantile enterprise. This appears to be admitted by the House Committee on Merchant Marine, Radio, and Fisheries, which amended the terms of H.R. 8875 so as to narrow its application to cruises between a port of the United States and "*a nearby* foreign port", with the object of avoiding any interference with cruises to European and other distant waters. It is not clear whether the language of the amendment would exclude from the operation of the bill long cruises to Caribbean waters such as have been maintained for some years by a Canadian shipping company from New York to ports in Venezuela, Panama, the British, French and Dutch West Indies, Cuba, and Porto Rico. These cruises are of three or four weeks' duration, and are conducted on a regular schedule during the winter season. A similar cruising service is operated by another Canadian company from Boston to Panama and West Indian ports. It is not believed that cruises of this type are in any way competitive with regular all-year services maintained by United States Lines.

The measure, as at present drawn, would not only affect regular cruising services of this sort, but would bear most heavily on a large number of regular shipping lines engaged in ordinary passenger traffic between ports of Canada, the United States, and neighbouring British colonies. None of these lines was established with a view to the cruising traffic in the usual sense; frequently, however, passengers desire to take a round-trip voyage, for example from New York to Montreal, or across Lake Ontario from Lewiston to Toronto, or from Seattle to Victoria and Vancouver. Any Canadian ship carrying a passenger from a port of the United States on such a round-trip would appear to be engaged "on a continuous voyage terminating at the port of departure", and would therefore be liable under the proposed legislation to a penalty of $200 in respect of each passenger so transported.

On the Atlantic Coast the Canadian National Steamships maintain an all-year service, starting at Montreal in summer and at Halifax in winter, between Canada, Bermuda, and the British West Indies, and these vessels regularly call at Boston. A proportion of the passengers joining the vessels southbound at Boston return on the same ship after visiting the regular ports of call in southern waters. The same company maintains a weekly service in winter between Boston and Bermuda. Another Canadian company has regular winter service between New York and Bermuda and a regular summer service between New York and Montreal. These are all international services of exactly the same nature as services to European ports.

Long-established services on the Great Lakes would be placed in the same difficulty. For many years a popular and frequent passenger service has run from Toronto across Lake Ontario to ports two or three hours distant

at the mouth of the Niagara River, including Lewiston, New York. Another short international route is from Cobourg to Rochester, New York. If a passenger embarked on one of these vessels at Lewiston or Rochester and chose to return on the same trip of the same vessel (a common practice, especially in hot weather), the vessel would become liable for the prescribed penalty of $200. Several other Canadian lines on the Great Lakes would be similarly affected, and it is believed that such a consequence is entirely foreign to the purpose of the proposal. It may be mentioned that it would not be feasible on brief voyages such as these and those on the Seattle-Victoria-Vancouver run for shipping companies so to examine the passengers as to eliminate all round-trip travellers.

On the Pacific Coast a service, inaugurated in 1904, has been maintained for many years by a Canadian company between Victoria, Vancouver, and Seattle; two trips are made daily on an all-year schedule, and by mutual arrangement, tickets of this line are honoured on vessels of a United States line which participates in the traffic. Though this is a stable passenger service, it is also used for excursion purposes and for round-trip traffic on business or pleasure; the passage of this measure would gravely interfere with its operation.

Two Canadian lines maintain services between Vancouver and Skagway, Alaska. One, an all-year service, was inaugurated in 1898; the other, started in 1912, is an extension in summer months of a service between Vancouver and Prince Rupert. (United States vessels participate in the traffic between Canada and Alaska by calling at Vancouver and Victoria.) This measure would forbid foreign vessels from transporting passengers between ports in the United States or its possessions "either directly or by way of a foreign port, *or for any part of such transportation*". This might be construed as prohibiting, for example, a Canadian ship from carrying a passenger going from Alaska to the United States for a part of his journey from Skagway to Vancouver, under penalty of being fined $200 on its return to Skagway, since this voyage would be part of a trip between two United States ports. Bookings on these lines in the United States might also be prevented, in spite of the fact that trans-shipment invariably takes place at Vancouver or Victoria.

H. R. 8874 and *S. 3501* would amend the definition of a "fighting ship"; (a) by providing that a vessel entering a particular trade in order to *increase* competition (as well as to exclude, prevent, or reduce competition, as at present provided) is a fighting ship; and (b) by adding a new definition aimed only at foreign vessels "used, or proposed to be used, in a particular trade so as to produce unwarranted and excessive competition in such trade with vessels documented under the laws of the United States". The Shipping Board would be given final and complete authority to decide whether a foreign vessel was a fighting ship; and clearance would be refused to vessels so certified by the Board.

The enactment of this measure would place in the hands of the Shipping Board, without the possibility of an appeal or of any judicial determination of the issue, the right to prevent any foreign shipping line from maintaining an existing service, or from establishing a new service, between a United States port and a foreign port, if the existing or proposed service was competitive with one maintained by a United States line. It could be employed, for example, to cut off the Canadian services of many years' standing on the Pacific Coast between Vancouver and Skagway, and between Vancouver, Victoria, and Seattle. The bill would tend towards the establishment of a monopoly on certain routes, and could be used so as to operate to the serious disadvantage of shippers and of the travelling public. The measure does not appear to give due recognition to the undoubted right of a foreign country to secure for its shipping a reasonable share of the traffic between its own ports and those of the United States; and in this respect it is not only discriminatory but is also in principle an extension to foreign territory of the coastwise laws of the United States. It is avowedly aimed at a particular situation on the Atlantic Coast, but its sweeping language would permit its provisions to be applied to all services between Canadian and United States ports now existing or to be established in the future, as well as to trans-Atlantic and trans-Pacific ocean services.

The Canadian Legation finally submits that the passage of these bills at a time when trade is acutely depressed would tend to prolong the period of recovery, and could not fail to arouse resentment abroad by reason of the material losses inflicted on legitimate shipping interests and by the extension to foreign territories of principles of legislation which are regarded as of domestic application only.

164.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 314 Washington, March 8, 1932

Sir,

In continuation of the Legation's Despatch No. 273 of March 3rd, 1932, concerning the bills dealing with tourist cruises and fighting ships which are now before the Congress of the United States, I have the honour to enclose copies of a report of the hearing on March 4th on these bills taken from *The United States Daily* of March 5th. The printed proceedings will not be available probably for a week. You will observe in this report a reference to an objection made by Mr. Covington, representing a United States line engaged in the Alaska service, to the appearance before the subcommittee of officers of the Canadian Pacific Railway. I understand, however, that,

following this objection, Senator White of Maine went out of his way to request Mr. Flintoft and Mr. Annabel to express their views to the sub-committee. The hearing lasted until late in the afternoon, and probably as a result of this, the enclosed report and other reports in the press have not given much space to the opinions of those opposed to the measures, who appeared during the latter part of the hearing.

2. A member of the Legation staff attended the hearing. He informs me that it was obvious that the activities of the Cunard Line in the New York-Havana service and in the cruising traffic generally were responsible for the measures. No one defended "cruises to nowhere", and the opponents of the "Cruises Bill" based their arguments on the contention that the abolition of West Indian cruises by foreign vessels would not bring traffic to United States lines but would simply cause the business to disappear. The testimony concerning Canadian interests attracted little attention, but the Chairman (Senator White) requested Mr. Farwell of New York, representing the Canada Steamship Lines, to draw an amendment excluding passenger services on the Great Lakes from the operation of the bills.

3. A new development at the hearing was the revelation that the "Cruises Bill" was in fact aimed in part at the Alaskan services of Canadian shipping lines, and that the inclusion in the bill of the phrase "or for any part of such transportation" was partly designed to restrict these Canadian services to the benefit of the United States lines. In this connection, no opportunity has as yet arisen to employ the information contained in your telegram of March 2nd concerning the comparative freedom of Canadian regulations for foreign shipping on the Pacific Coast, though this aspect of the matter has been mentioned incidentally at the Department of State. Mr. Flintoft has provided me with some additional information of the same character. Should a bill be reported to the Senate containing the objectionable features unchanged, I am hopeful that an opportunity will arise to emphasize with some effect this side of the question.

4. The local representative of the Canadian Press informs me that he has interviewed Senator White on the subject of these bills, and that the Senator told him that he was re-drafting the measures in order to remove some of the features to which objection had been taken; he was not, however, very hopeful that he would succeed in securing their passage.

5. I have been informed by the Department of State that the full text of the Memorandum which was left with Mr. Bundy on March 2nd was transmitted to the Senate Committee on Commerce, together with a summary of the representations made by other diplomatic missions and a statement of the views of the Department.

6. The "Fighting Ship" bill came before the House of Representatives yesterday on the Consent Calendar. Objection to its consideration was promptly made by Representatives La Guardia and Boylan of New York,

Bulwinkle of North Carolina, and West of Ohio. Before it was passed over Mr. Davis of Tennessee, its sponsor, made a brief statement suggesting that the opposition to the measure was inspired by selfish foreign interests.

7. The subcommittee of the Senate Committee on Commerce which is examining these measures was charged also with the examination of S. 3516, concerning Canadian direct shipment requirements. Senator White has said that he has received no request for a hearing on this bill.

I have etc.

H. H. WRONG
for the Minister

165.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 456 Washington, April 12, 1932

Sir,

With reference to my Despatch No. 426 of April 7th, 1932, concerning certain shipping bills now before the Congress of the United States, I have the honour to transmit copies of a further bill (H. R. 10674), which was introduced in the House of Representatives on March 19th by Mr. Davis, Chairman of the Committee on Merchant Marine, Radio, and Fisheries. I understand that this bill is about to be reported favourably by the Committee without any hearing having been held. It is said to have been drafted by Mr. Franklin Mooney, who has been leading the fight of United States shipping interests for further restrictions on foreign shipping.

2. This bill would achieve the same object as the other bills already introduced (H. R. 8874 and S. 3501) to amend the definition of a "fighting ship". It would add a fifth prohibition to the four which are already included in Section 14 of the Merchant Shipping Act. The Section now forbids common carriers by water from ports of the United States to grant deferred rebates to shippers, to use "fighting ships", and to employ retaliation or discrimination against shippers. The new prohibition would be of a quite different nature, since it would prevent foreign vessels in a particular trade from being used so as to produce unwarranted and excessive competition in that trade with vessels of United States registry.

3. The penalties for violation are different in character from those proposed in the "fighting ship" bill, but are perhaps even more drastic. In the first place, a fine of not more than $25,000 could be levied against the carrier for each infraction; this would involve a judicial determination of the issue before a Federal Court. Secondly, however, the existing law (Title 46, Section 813, U.S. Code) establishes a special punitive process which

can be used against foreign shipping companies who have violated any of the prohibitions of the preceding Section. Under this Section, if the Shipping Board determines, after a hearing, that a violation has taken place, it shall certify its finding to the Secretary of Commerce, who shall refuse the right of entry to ports of the United States of all vessels owned or operated by the person violating the Act. Thus, if the present bill were to pass, a finding by the Shipping Board that the Canadian Pacific's Skagway service produced excessive competition with the Alaska Shipping Company would result in the exclusion of all Canadian Pacific vessels from ports of the United States until the service was discontinued.

4. Since this bill seems to be equally objectionable with the "fighting ship" bill, and since it seems to be open to the same complaint from foreign interests, I am presenting a brief Memorandum to the Department of State, asking that the representations already made in connection with the "fighting ship" bill should be regarded as including also the new measure.

I have etc.

H. H. WRONG
for the Minister

166.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 843 Washington, July 13, 1932

Sir,

With reference to the Legation's Despatch No. 589 of May 10th, 1932, concerning certain Shipping Bills before the Congress of the United States, I have the honour to report that none of these proposals has made any further progress toward passage, but that it is likely that they will be revived at the beginning of the next session. Their present status on the calendars is that the three House bills, H.R. 8874 and H.R. 10674 relating to fighting ships and H.R. 8875 relating to tourist cruises, have been reported favourably to the House, whereas the two Senate bills, S. 3501 and S. 3502, identical with H.R. 8874 and H.R. 8875, are still before the Committee on Commerce.

I have etc.

H. H. WRONG
for the Minister

167.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 330 Washington, March 29, 1933

Sir,

With reference to your despatch No. 97 of March 25th, concerning certain shipping bills which have been introduced in the Congress of the United States, I have the honour to state that the information which you have received from the Canadian Pacific Railway, that the bills to which objection was previously taken have been re-introduced at this session, is correct. The Legation has been watching the matter closely, and has been in touch with the local representative of the Canadian Pacific Railway. There appears at the moment to be not much chance that action will be taken on these bills unless the session of Congress is greatly prolonged. The bill dealing with tourist cruises has been referred by the House Committee on Merchant Marine, Radio, and Fisheries to the Shipping Board for a report. After the receipt of this report, which may be expected to favour its enactment with amendments, an attempt may be made to bring the bill before the House. I shall keep in touch with the representatives of other interested countries, and shall bring the Canadian objections to the attention of the State Department if this action seems to be required.

2. I enclose copies of the two bills (H.R. 1494 and 1496), which have been reintroduced in their original form without incorporating the amendments recommended at the last session.

I have etc.

H. H. WRONG
for the Minister

168.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, November 27, 1933

MOST IMMEDIATE. Lacking other information I assume press reports that exchange dumping duty has been imposed against United States are accurate. There are strong feelings in official quarters that opposition of present and previous administrations to imposition of additional duties by the United States against countries with depreciated currencies should be borne in mind by foreign countries during the current unusual and temporary exchange

conditions. It is also felt costs and price levels in the United States are higher than in Canada and additional duties are entirely unwarranted for protective purposes.

I fear that this action may seriously impede any discussions concerning tariff concessions and will tend to defeat such progress as has been achieved. I also fear Canadian position may be prejudiced in connection with liquor imports which will almost certainly be regulated, following repeal, by quotas determined by Administration. Some important Journals opposed to President's monetary policy are using Canadian action as part of their campaign.

I respectfully suggest that instructions to Collectors of Customs be suspended until damaging depreciation of United States dollar has been maintained for considerable period.

169.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, November 29, 1933

Order in Council[1] approved this morning regarding exchange compensation as follows. Begins. Provided that the provisions of section 6 of the Customs Tariff shall not apply in such event where the depreciation of the foreign currency is not in excess of five per cent, nor where the invoice value of goods imported by mail or express does not exceed ten dollars computed at par of exchange. Ends. This provision is in form an amendment of Order of 10th October, 1931, establishing general rule for exchange depreciation duties. Copy of latter sent by mail. Advise if you wish it telegraphed. United States Legation informed of new Order.

170.

Le ministre aux États-Unis au secrétaire d'État des États-Unis
Minister in United States to Secretary of State of United States

Washington, November 14, 1934

Sir,

The Government of Canada for many months have been giving careful consideration to the means whereby the exchange of commodities between Canada and the United States might be increased, and I have been instructed

[1] C.P. 2479. [1] P.C. 2479.

to present a statement of their views for the information of the Government of the United States. The Government of Canada believe that the time has come for definite action and that the declared desire of both Governments to improve conditions of trade between the two countries should now be carried into effect by the negotiation of a comprehensive trade agreement.

You will recall that when the Prime Minister of Canada visited Washington in April, 1933, at the invitation of the President of the United States, the development of trade between the two countries was sympathetically discussed. On April 29th, 1933, Mr. Roosevelt and Mr. Bennett issued a joint statement at the end of their conversations, which concluded as follows:

> We have also discussed the problems peculiar to the United States and Canada. We have agreed to begin a search for means to increase the exchange of commodities between our two countries, and thereby promote not only economic betterment on the North American continent, but also the general improvement of world conditions.

At that time it was expected that at an early date the President would be vested with special powers to enter into agreements looking toward an increase in the exchange of commodities between the United States and other countries. Since Mr. Bennett's visit, informal discussions have been carried on, and several methods of improving trade relations between the two countries have been suggested and examined.

In the past eighteen months the Governments of the United States and Canada have repeatedly manifested their determination to increase international trade, by declarations of policy and by the conclusion of bilateral trade agreements.

Within that period of time Canada has made trade agreements with several European countries.

The policy of the Government of Canada with respect to trade relations with the United States was again stated by the Prime Minister of Canada speaking in the House of Commons on February 19th, 1934. Mr. Bennett on that occasion referred to the fact that the Governments of the United States and Canada had agreed to begin a search for means to increase the exchange of commodities between the two countries and thereby promote not only economic betterment on the North American continent, but also a general improvement of world conditions, and indicated that the policy of the Government was to continue their efforts to that end.

On July 21st, 1933, at the international Monetary and Economic Conference in London, the policy of the Government of the United States was expressed by you in a resolution submitted on behalf of your Government. This resolution declared that the governments represented at the Conference should forthwith "initiate bilateral (or plurilateral) negotiations for the removal of prohibitions and restrictions and for the reduction of tariff rates; and declare that their aim in these treaties is substantial reduction of basic

trade barriers, and not merely the removal of temporary and abnormal restrictions and increments imposed for bargaining purposes". The resolution continued:

> In shaping its policy and in executing its obligations under any arrangements, each Government should direct its first and greatest efforts toward eliminating restrictions and reducing duties which most clearly lack economic justification, particularly:
>
> (*a*) Duties or restrictions which not completely or almost completely exclude foreign competition, such as those which restrict importation of particular commodities to less than 5 per cent. of the domestic consumption thereof;
>
> (*b*) Duties or restrictions on articles the imports of which have been substantially curtailed since 1929 as compared with domestic consumption;
>
> (*c*) Protective duties or restrictions which have been in effect a considerable period of time without bringing about a substantial domestic production of the protected commodities (say equal to 15 per cent. of the total domestic consumption thereof).

On December 16th, 1933, on your motion, the Seventh International Conference of American States at Montevideo adopted a resolution which declared that the Governments of the American Republics would promptly undertake "to promote trade among their respective peoples and other nations and to reduce high trade barriers through the negotiation of comprehensive bilateral reciprocity treaties based upon mutual concessions".

On February 22nd, 1934, the Department of State issued to the press a statement concerning trade negotiations with Canada, which reads as follows:

> The trade between the United States and Canada is larger in normal times than that between any other two countries in the world, and it is natural that both countries should desire to restore the reciprocal flow of commodities to normal proportions. We hope to be in a position at an early date to take steps looking to the conclusion of a trade agreement with Canada which will further the interests of both countries. We hope thus to bring into practical application the 'good neighbour' policy between these two great countries which have so much in common.

A few days later, on March 2nd, the President requested the Congress to enact legislation conferring on him authority to enter into trade agreements, in a message which concluded with the following words:

> I hope for early action. The many immediate situations in the field of international trade that today await our attention can be met effectively and with the least possible delay.

The legislation in question became law on June 12th. Since then your Government has set up the organization necessary for the conduct of negotiations, carried on its preliminary investigations, initiated discussions with several governments, and proclaimed the conclusion of a trade agreement with Cuba. The objective of the United States in entering upon these negotiations was stated by you in a public address on November 1st to be "to break down all the artificial and excessive impediments put in the way of world commerce, not only in our own interests but for the benefit of all others as well, since only by restoring the whole world can individual countries hope to remain economically healthy long".

It is hardly necessary to stress the importance to both the United States and Canada of their mutual trade. For many years each country has provided the other with either its largest or its second largest foreign market. From 1927 to 1932, and again in the first nine months of 1934, the total trade between Canada and the United States was greater than the total trade between the United States and any other country. In the last ten years, according to the figures of the Department of Commerce of the United States, the aggregate value of the trade between the two countries was more than ten billion dollars, and in the single year of 1929 it reached the great figure of $1,451 millions. During the decade ending in 1933 Canada provided a market for the products of the United States larger by one-fourth than the whole of Asia, about twice as large as Germany or all South America, nearly three times as large as France or Japan, nearly seven times as large as China, and more than ten times as large as the Soviet Union. In spite of the considerable decline in trade from the high level of 1929, Canada still provided a market in the first nine months of 1934 only slightly smaller than all Asia, nearly twice as large as all South America or Japan, between two and three times as large as Germany or France, four times as large as China, and twenty-two times as large as the Soviet Union. Over 30 per cent. of all exports from Canada are currently sold in the United States, and notwithstanding the great difference in population of the two countries, about 15 per cent. in value of all exports from the United States are currently sold in Canada. The relative importance of the market of each country to the other, and the persistence of trading on a substantial scale throughout the changing phases of the business cycle, as revealed by the trade returns, demonstrate the inherent advantage of this interchange of commodities and the tremendous potentialities of expansion under favourable conditions. But no useful purpose can be served by calculating the relative shares retained by each country in a total world trade that for four years has been steadily shrinking, until in 1933 it fell in value to approximately one-third of the level of 1929. If peace and prosperity are to be established on an enduring basis, it is essential to increase the absolute volume of world trade. No better beginning can be made than by taking steps to increase without delay the volume of trade between two countries which offer the most notable opportunity.

Recent trends in the balance of international payments emphasize the necessity of increasing the volume of trade between Canada and the United States. There are six major factors which chiefly determine the nature and extent of the current balance between the two countries. These are: (a) commodity trade; (b) interests and dividends; (c) freight payments; (d) tourist expenditures; (e) gold shipments, and (f) capital movements. On the first three items there has been for many years a heavy balance against Canada, which has been met by a favourable balance on tourist expenditures, by the shipment of gold, and by the movement of capital. An approximate annual balance between the two countries is normally achieved on such

other items of international payments as insurance, advertising, royalties, and immigrant remittances, when these items are added together.

(*a*) *Commodity Trade.* In no year since 1882 have Canadian exports to the United States exceeded in value Canadian imports from the United States. During the thirty years ending in 1933, Canada purchased in the United States, almost 70 per cent. of all her imports, and sold in the United States only 37 per cent. of all her exports. In the last decade, Canadians have spent over $1.60 in buying products of the United States for every dollar spent on Canadian products by purchasers in the United States. Canada has therefore been obliged to meet the debit balance thus arising by other means of payment. In the decade 1921 to 1930, according to the Department of Commerce of the United States, the balance payable by Canada to the United States on exchange of commodities averaged $287 millions a year. In 1932 and 1933—which were the acute years of the depression—the balance was more nearly equated; but in the first nine months of 1934 Canadian imports from the United States have increased more rapidly than Canadian exports to the United States, and the ratio between them currently stands at about 10:7.

(*b*) *Interest and Dividends.* The long-term investments in Canada of United States capital have been estimated at a total of about four billion dollars, offset by about one billion dollars of Canadian capital invested in the United States.

The interest paid annually by Canada to the United States in excess of the interest paid by the United States to Canada now amounts to about $125 millions, without taking into account instalments of principal payments, which in recent years have averaged approximately $75 millions annually.

To this should be added an annual sum, amounting at present to between $25 and $50 millions, being the excess derived by the United States from dividends on investments in Canada over dividends from investments by Canada in the United States.

The United States investments in securities issued or guaranteed by the Dominion and Provincial Governments is estimated at $1,218 millions. During the depression there has been no default in the payment of interest or principal on any of these issues, even in face of the discount on the Canadian dollar which continued from the latter part of 1931 until late in 1933. Interest payments have been of course, a continuing charge, the real burden of which has increased with the decline in prices. The strain on Canadian economy has been heavy, and it has only been borne by the adoption of special measures for the equalization of exports and imports.

(*c*) *Freight charges.* Since the war, net freight payments have been favourable to the United States to the extent of between $25 and $50

millions annually, and this substantial sum remains a debit item against Canada.

(*d*) *Tourist Expenditures.* The expenditures in Canada by visitors from the United States have been by far Canada's largest annual credit item. Canadian authorities estimate that the net balance on this account has been as high as $188 millions in one year, but since the depression the net Canadian surplus from this source has sharply declined, and amounted only to $60 millions in 1933.

(*e*) *Gold Shipments.* In some measure, Canada has been enabled to meet the adverse balance of payments through the development of the gold mining industry and the shipment in recent years of practically all the newly-mined gold to the United States. According to the figures of the Federal Reserve Board, the United States received a net balance on this account averaging $50 millions a year in the five years 1929-1933; in the first eight months of 1934, gold valued at $64 millions at the new valuation was received from Canada, an amount practically equal to the Canadian gold production during the period. Production in Canada has increased substantially during the depression, and its value in the United States has been enhanced by the reduction in the gold content of the United States dollar. It is impossible, however, to expand production rapidly. Even if the entire Canadian production were shipped to the United States, it would still be insufficient by at least $25 millions annually to meet the net interest payments due in New York. Further, it may not be found possible to continue the shipment of the entire Canadian gold output to the United States.

(*f*) *Capital Movements.* It may be stated, in general terms, that in recent years the net Canadian credits from tourist expenditures and gold shipments have offset the net debits to the United States from interest, dividends, and freight, while the adverse Canadian balance on commodity trade has been met by the net movement of capital from the United States to Canada. Capital has moved both by new long-term investments in Canada and by the purchase of existing Canadian securities. In 1931 the flotation of new capital issues in New York virtually ceased, and the meeting of Canadian obligations in the United States became much more difficult; in fact, it was necessary in some instances to raise capital in Canada and transfer it to the United States to meet maturing obligations there. A reduction in imports therefore became urgently necessary if Canadian obligations were to be promptly and fully paid at maturity. The fall in commodity prices, the decline in Canadian exports to the United States, which was accentuated first by the United States Tariff Act of 1930 and later by the imposition in 1932 of a heavy tax on imported lumber, the discount against the Canadian dollar, and the heavy falling off in tourist expenditures, combined to make the situation still more difficult. Most of the factors responsible for this difficult situation still persist.

Since the beginning of the depression, amongst countries heavily indebted to the United States, Canada stands almost alone in having promptly discharged in full its obligations payable in the United States. If this record is to be maintained, it is clear, in view of the uncertainty as to international capital movements, that the exports of Canadian goods to the United States must be increased or the imports of goods from the United States into Canada decreased.

It should be realized that certain formidable obstacles to the lowering of tariff barriers now prevailing in other parts of the world are not present between the United States and Canada. The opportunities of a new continent have resulted in a parallel economic and social development almost without precedent. Standards of living and working conditions are similar on both sides of the international boundary. The measures of protection which each Government has imposed against the products of the other country have not been determined by a desire to exclude the products of cheap labour. In these difficult times, countries seeking to maintain high domestic standards of living have a common interest in expanding trade with each other. For the past year, also, the Canadian dollar has been close to parity with the United States dollar, and the disturbing effects of exchange instability have in large part disappeared. Even if the desired general revival of international trade should still be delayed for a considerable period, there is much to be said in favour of an immediate attempt to increase the volume of commerce between these two neighbouring countries, whose traditions and ideals of social and economic progress are so alike.

Attention has been directed to the trade agreements between Canada and the other members of the British Commonwealth of Nations signed at Ottawa in 1932. In some quarters the statement has been made that these agreements render difficult the negotiation of a comprehensive and effective trade agreement between Canada and the United States. An examination of the facts will demonstrate conclusively that such is not the case. The agreements concluded at Ottawa in 1932 have been of immense importance in increasing the trade between the several Nations of the British Commonwealth. The market of the United Kingdom in particular has been a most valuable outlet for Canadian products. In return for the market thus assured Canada has continued and enlarged the preferences which had been accorded the United Kingdom since 1897. The Ottawa agreements do not, however, preclude and in fact have not precluded the signatories from offering extensive and valuable tariff concessions to other countries, and it may be stated positively that the Government of Canada is free to enter into an agreement with the United States covering a wide range of products.

The Government of Canada is prepared to join the Government of the United States in a declaration that their common objective is the attainment of the freest possible exchange of natural products between the two countries. It is recognized that this objective cannot be attained in the immediate

future, as important interests in both countries would be disturbed unduly by the sudden removal of existing tariffs on all natural products. The Government of Canada would therefore favour, as the first step, the reductions included in the proposals set out in the next paragraph, to be succeeded by progressive mutual reductions in the duties on natural products, leading to the attainment of the declared objective.

I am authorized to put forward the following outline as a suitable basis for negotiation of a trade agreement:

(*a*) A mutual undertaking to maintain during the lifetime of the agreement the unrestricted free entry of commodities now on the free list of either country.

(*b*) The mutual concession of tariff treatment as favourable as that accorded to any other foreign country; this means that Canada would extend to the United States its intermediate tariff, involving reductions from the present rates of duty on some 700 items, including both natural and manufactured products, together with a number of further reductions below the intermediate tariff rates through the extension to the United States of concessions made by Canada in trade conventions with foreign countries.

(*c*) The reduction by 50 per cent. of the existing United States rates of duty, as authorized by the Tariff Act of 1934, on a specified number of natural products, including, *inter alia,* lumber,* fish, potatoes, milk and cream and live cattle; a number of other agricultural products, and several minerals both metallic and non-metallic.

(*d*) The reduction of the existing rates of duty by the United States on a number of partly or wholly manufactured products of Canada, including some processed natural products and certain products in which hydroelectric power comprises an important element in the cost of production.

(*e*) The reduction of the existing rates of duty by Canada on a number of natural and partly or wholly manufactured products of the United States.

In view of the declared policy of the Governments of the United States and Canada to improve existing trade relations, and of the progress already made in both countries in the necessary preparatory studies, there would appear to be no barrier to the immediate initiation of negotiations and their speedy conclusion. I am desired, therefore, to request that I may be furnished with a statement of the views of the Government of the United States on this highly important question.

I have etc.

W. D. HERRIDGE

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* This proposal is made on the assumption that the present excise tax of $3.00 upon Canadian lumber will be discontinued after June 30, 1935. [Note telle que dans le document. Footnote as in document.]

171.

Le secrétaire d'État des États-Unis au ministre aux États-Unis
Secretary of State for United States to Minister in United States

Washington, December 27, 1934

Sir,

I have the honor to acknowledge the receipt of your note of November 14, 1934, in which you review the trade and financial relations between the United States and Canada, and advise me that your Government proposes the early initiation of negotiations looking to a trade agreement between our two countries.

I have given careful consideration to your note. I fully subscribe to the views which you express in regard to the importance to each of our countries of its trade with the other, and I am happy to note the willingness of your Government to undertake negotiations looking to an increase in trade in both directions. It is not necessary to comment in detail on your statements respecting the balance of payments as between our countries. As you are aware, international balances are settled on many fronts and it would be a serious setback to world trade if countries undertook to achieve balances with individual countries.

I am happy also to take this occasion to express my appreciation of the unflinching determination with which the Dominion and Provincial Governments have met their loan obligations.

When the Trade Agreements Act, 1934, was enacted, this Government took immediate steps to create an organization to undertake negotiations for trade agreements. One agreement has been concluded; negotiations for several others are now in progress; and intensive preparations are well under way for similar negotiations with a number of other countries.

I believe that a point has now been reached when an exchange of views on this subject with Canada should be undertaken, and I am, therefore, gratified to learn that your Government is of the same mind. Whatever the desirability of the freest possible exchange of natural products, and indeed other products, between the United States and Canada as an ultimate goal, the United States Government must in any negotiations undertaken at this time restrict itself to measures authorized by the Trade Agreements Act, 1934, of which I enclose a copy.

The outline which you suggest as a possible basis for discussions has been noted. You mention several specific products upon which your Government proposes to seek reductions in existing rates of duty in this country. In communicating to you the willingness of the Government of the United States to enter upon negotiations with your Government looking to a trade agreement calculated to increase trade in both directions, I must, of course, make it clear that in advance of negotiations this Government can not make

any commitment as to whether it will be possible to agree to a reduction in the rates of duty on particular products, each of which must be carefully studied in the light of existing economic conditions before any decision can be reached. This is the procedure which has been adopted and followed in connection with the trade agreement negotiations with other Governments. Correspondingly, it is understood that your Government will wish to give the same study to individual products upon which this Government may request reductions in the Canadian rates of duty.

I suggest that to the proposed outline of discussions there be added the question of methods of determining the value of merchandise for duty purposes in either country, a matter which I consider of importance in the proposed negotiations.

On the basis of these general observations, this Government holds itself in readiness to begin immediate preparations for trade agreement negotiations.

Accept etc.

CORDELL HULL

172.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 315 Washington, March 11, 1935

Sir,

With reference to your telegram of March 6th, and previous correspondence concerning legislation before the Congress of the United States for the exclusion of aliens from the domestic fisheries, and for other purposes, I have the honour to report that verbal representations have been made on this matter at the Department of State.

2. Mr. Wrong discussed the situation with Mr. Hickerson on March 9th, taking with him a memorandum, of which copies are enclosed. Mr. Hickerson stated that the passage of this bill was being urged by the Administration, and that its drafting had presented substantial difficulties. The bill was in fact aimed solely at the Japanese, whose activities in the Pacific Coast Fisheries presented a serious problem, and had given rise to suspicions of espionage. It was, however, impossible, for obvious reasons, to draft the legislation in other than general terms. Objections had been taken on behalf of Portuguese fishermen resident in Massachusetts, and assurance had been given that, if the bill were enacted, it would not be enforced against this Portuguese community. A similar assurance could be given with respect to all the Canadian interests which might be affected by the literal enforcement of the measure.

3. Mr. Wrong stated that he could not regard such an assurance as a satisfactory answer to the Canadian objections. In any case, it was bad policy to place on the statute books a general act with the intention of applying it only to meet a particular situation, while failing to enforce its provisions in other respects. He suggested that the bill might be amended by exempting from its scope, vessels owned by citizens of countries contiguous to the continental United States, and pointed out that similar exemptions had been made in tariff and immigration acts. Such an exemption might be publicly justified solely on geographical grounds, without adding greatly to Japanese objections. Mr. Hickerson promised to make immediate enquiries concerning the possibilities of inserting such an amendment, or of meeting the Canadian objections in some other manner. At his urgent request, Mr. Wrong did not leave with him the original memorandum, but gave him a copy for his information. He told Mr. Hickerson that it might be necessary to present the original memorandum later on, in order to place on record the views of the Canadian authorities.

I have etc.

W. D. HERRIDGE

[PIÈCE JOINTE/ENCLOSURE]

Mémorandum
Memorandum

Washington, March 8, 1935

A measure has been introduced in both Houses of Congress—in the Senate as S. 1815 by Senator Copeland, and in the House of Representatives as H.R. 5705 by Congressman Bland—entitled "To require certain documents of vessels not wholly owned by citizens of the United States and navigated in the territorial waters of the United States, its Territories, or its possessions, to regulate vessels engaged in the fisheries, and for other purposes." It is understood that the passage of this measure is recommended by the Department of Commerce, and that its chief purpose is to correct certain conditions in the fishing industry on the Pacific Coast, which are not concerned with the Canadian fishing industry on that Coast.

An examination of this measure, however, appears to show that the enactment of certain of its provisions would adversely affect long-established practices of the Canadian fishing fleet in waters adjacent to northern British Columbia and Alaska, to which, it is believed, no objection has been taken by any branch of the fishing industry of the United States. If, also, the measure is intended to apply to the Great Lakes System, the international section of the St. Lawrence River, and other waters adjacent to the inter-

national boundary, its effect might be severely restrictive in the case of Canadian craft in these waters.

Section 1 of the measure would require any vessel entering the territorial waters of the United States, which is owned in whole or in part by persons not citizens of the United States, to carry a register or similar document issued under the laws of a foreign country, a descriptive list of the crew and of all others on board, and a manifest of the cargo. This requirement would be imposed on all vessels, and would apparently include even small pleasure craft in its scope. The Canadian authorities do not require several of these documents to be carried by Canadian fishing vessels, and they are often not carried by small Canadian vessels on the Great Lakes System and on sheltered waters adjacent to the international boundary. Since Canadian and United States territorial waters are contiguous on all lakes, rivers, and bays on the international boundary from Passamaquoddy Bay on the Atlantic to the Straits of Juan de Fuca on the Pacific, and since navigation channels cross and recross the boundary at many places, vessels of either country are constantly entering the territorial waters of the other country while proceeding from one domestic port to another. Yet if the bill were passed in its present form, apparently any Canadian vessel which entered the territorial waters of the United States at any point without carrying these documents would be liable to forfeiture.

Section 4 of the bill would require all fishing vessels owned wholly or in part by persons not citizens of the United States, which might enter the territorial waters of the United States, to make formal entry at the nearest port of entry and to make formal clearance on leaving that port. This apparently would involve an obligation on Canadian fishing vessels operating in the Gulf of Alaska from such ports as Prince Rupert to proceed to the nearest customs port in the United States if they should pass—as they habitually do—through territorial channels in Alaska in going to or from the fishing grounds. The delay that would be involved, apart from any port fees that might be charged, would be a serious handicap to the vessels.

It may be pointed out that United States fishing vessels on the Pacific Coast engaged in the halibut and salmon fisheries and operating from ports in the State of Washington, regularly use Canadian territorial channels in going to and from the fishing grounds. Not only are these vessels not required to report to the Canadian Customs authorities, but they are accorded generous privileges in Canadian ports when they find it desirable to proceed there. If Canada were to adopt legislation similar to this proposal, it would militate against United States fishing vessels going to and from the Alaskan fishing grounds via the inside passage in Canadian waters.

In view of these circumstances it is requested that, if this legislation is proceeded with, it should be so modified as to be made inapplicable (1) to navigation on the Great Lakes and other waters along the international boundary, and (2) to Canadian fishing vessels on the Pacific Coast.

173.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 369 Washington, March 26, 1935

Sir,

With reference to my despatch No. 315 of March 11, 1935, and previous correspondence regarding bills before the Congress of the United States for the exclusion of aliens from the domestic fisheries, and for other purposes, I have the honour to report that I have been informed by the Department of State that this legislation has been withdrawn for redrafting, and that the Canadian objections to its enactment in its original form have been brought to the attention of those responsible for its revision. When the measure is re-introduced in Congress I shall not fail to transmit copies to you without delay.

I have etc.

H. H. WRONG
for the Minister

174.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 405 Washington, April 2, 1935

Sir,

In confirmation of my telegram of today, I have the honour to enclose six copies of each of the following documents:[1] (1) a proclamation by the President of the United States bringing into effect the recent trade agreement between the United States and Belgium on May 1st, 1935; (2) a statement issued by the Department of State on April 1st setting forth the policy of the United States concerning the generalization of tariff concessions in trade agreements, and covering an instruction on this matter from the President to the Secretary of the Treasury.

2. The statement issued by the Department of State is a reaffirmation of adherence to the unconditional most-favoured-nation principle in international commercial relations with respect to customs duties, quota restrictions, exchange control, purchases by governmental monopolies, and other public

[1] Non reproduits. [1] Not printed.

measures for the regulation of international trade. The position of the United States is summarized as follows:

> It is the carefully considered view of the Government of the United States that the rule of no discrimination is the only standard of international conduct sufficiently definite to be applied fairly and with a minimum of international dispute in connection with the extension of minimum tariff rates and the administration of other forms of trade control measures. The Government of the United States rejects the view that such criteria as the relative balance of trade between countries, or the absolute height of trade barriers, can be used as proper guides to determine whether a country merits the enjoyment of our minimum duties.

3. As I mentioned in my telegram, eight countries including Canada, may be accorded the United States customs duties set forth in the Belgian Agreement for a limited period only. Canada is included with the Netherlands, Spain, and Switzerland, in a group of countries to the products of which the new duties will be certainly applied only for six months after they come into effect. These four countries are all now engaged in negotiations for trade agreements with the United States, and if these result in the mutual extension of most-favoured-nation treatment during the six months' period, the new duties will of course continue to apply to their products. The charge of discrimination against Canada arises from the extension to foreign countries other than the United States of the lower rates of duty embodied in the Canadian Intermediate and Treaty Tariffs. The question of Imperial Preferential Tariffs is not at issue in this connection, and the lower duties in the Belgian Agreement will be extended without limitation of time to all other parts of the British Empire. It may be pointed out that, in spite of Mr. Secretary Hull's assertion in the enclosure that "the United States neither seeks nor accords preferential discriminatory treatment", the exclusive preference granted to Cuba constitutes in principle from the Canadian point of view an even more definite departure from unconditional most-favoured-nation treatment than the Canadian Intermediate and Treaty Tariffs. It is true that all foreign countries which have recently concluded most-favoured-nation agreements with the United States have explicitly consented to except from their provisions the preferences granted by the United States to Cuba; but no such recognition has been accorded by the Dominion of Canada, so far as I am aware.

4. With respect to Germany, Italy, Denmark, and Portugal, the State Department announces that it is expected that the existing commercial treaties and agreements with these countries will probably be terminated after due notice, and that the duties in the Belgian Agreement will be extended to these countries only for one month after such termination has become effective. With respect to all other countries, the new rates of duty will be generalized for an indefinite period.

5. The practical importance of this declaration of policy will in large part depend on the scope of the tariff reductions made by the United States in trade agreements yet to be concluded. Unless agreements more extensive than

those with Belgium, Brazil and Haiti are brought into effect, the threat of a refusal by the United States to extend its minimum tariff is not likely to influence a government following a different commercial policy which may be regarded as discriminatory by the United States. The declaration has, however, an importance not dependent on its practical consequences. It is a reaffirmation in emphatic language of the principle of unconditional most-favoured-nation treatment, made at a time when opinion in support of this principle appears to be waning both in the United States and in other countries. It also presages, as a somewhat paradoxical consequence, the addition of the United States to the group of countries with two-column tariffs.

I have etc.

H. H. WRONG
for the Minister

175.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, May 25, 1935

I am confidentially informed by Swedish Legation that trade agreement between United States and Sweden will be signed today. With this out of the way State Department may be ready to begin Canadian negotiations next week.

176.

Le ministre aux États-Unis au sous-secrétaire d'État aux Affaires extérieures
Minister in United States to Under-Secretary of State for External Affairs

CONFIDENTIAL Washington, July 8, 1935

My dear Doctor,

Hickerson told Wrong this morning that they had been working day and night at the State Department to complete their preparations for the trade negotiations, and that a memorandum embodying the results of their labours would be ready tomorrow for submission to the President. This memorandum will contain the recommendations of the experts on the concessions to be sought and to be offered. Hickerson describes it as going a very considerable distance. He says that they could have opened negotiations with us

some time ago if they had followed the procedure which they observe in other negotiations, that is, they could have presented a list of demands in return for a similar list prepared by us. They decided, however, that this procedure would not in fact facilitate the conclusion of the agreement, since they felt that the crux of the problem on their side was to determine the concessions which they are prepared to make. It would appear therefore that they are likely to bring forward at the outset of the negotiations a proposal containing schedules of tariff reductions on both sides.

The recommendations of the experts have still to be approved, both by the President and by Mr. Hull. Hickerson hopes that this approval will be secured by the end of the week, but it is obvious that there may be further delays. He thinks that the President will want to discuss the recommendations with the experts who have prepared them. There is also a possibility that Mr. Hull may object to the form of some of the proposals.

I gather that in several instances the experts have recommended concessions by the United States on condition that we undertake to apply a quantitative limit to our exports of the commodity in question. This applies in the case of cattle and red cedar shingles, as well as in some other instances. In order to sidestep the charge that they are suggesting the imposition of quotas, they wish us to undertake the obligation to limit exports in these cases. This is essentially a distinction without a difference, but I suppose that Mr. Hull may find in it a means of reconciling to his own satisfaction his objection to quotas with his endorsement of these recommendations.

Hickerson says that they are anxious to push on with the negotiations as rapidly as they possibly can once they are in a position to begin. He talks about signing an agreement within a month and having it in effect by September. This impresses me as being an optimistic view of the situation.

Yours sincerely,

W. D. HERRIDGE

177.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 791 Washington, July 9, 1935

Sir,

In continuation of my despatch No. 696 of June 12th, 1935, and previous correspondence concerning the Trade Agreement between the United States and Sweden, I have the honour to state that the President yesterday issued a proclamation proclaiming this agreement as from August 5th next. Copies of the proclamation are enclosed herewith.[1] In the final pages of the en-

[1] Non reproduite. [1] Not printed.

closure there will be found the text of a letter from the President to the Secretary of the Treasury giving instructions concerning the extension to foreign countries of the tariff reductions made in the Swedish and other trade agreements. In the case of Canada the reductions are to be granted only until October 1st, 1935, and the Netherlands, Spain, Switzerland, and France, are placed in the same category, France being a new addition to this group. The reasons for this classification were described in my despatch No. 405 of April 2nd, 1935, dealing with the Trade Agreement with Belgium.

I have etc.

W. D. HERRIDGE

178.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

CONFIDENTIAL Ottawa, September 7, 1935

Sir,

With reference to the conversations respecting the commercial relations between Canada and the United States, which took place in Washington on August 26th, I have the honour to transmit herewith a revised list[1] of the rates of duty applicable to Canadian goods imported into the United States which the Canadian Government believe should be incorporated in the Commercial Agreement which they desire to conclude with the Government of the United States. This list should not be communicated to the United States Government under cover of a formal note, but should be handed to the Department of State with the following explanatory statement.

1. This list does not exhaust the tariff concessions which the Canadian Government would have wished to see incorporated in a comprehensive trade agreement, but following the discussions between the representatives of both Governments which took place in Washington on August 26th, 1935, the Canadian Government have taken into consideration the special difficulties confronting the United States Government and have confined the requested concessions to those which it is considered the United States Government should be able to grant in return for appropriate concessions by Canada.

2. In accordance with the principle applied by the United States Government in their tariff negotiations with other countries, every effort has been made to limit our requests to commodities of which Canada has been the chief source of supply of imports into the United States. Furthermore, reductions in United States duties have been requested chiefly in respect of products the imports of which into the United States comprise less than 5 per cent of domestic consumption. In the communication which the Secretary

[1] Non reproduite. [1] Not printed.

of State of the United States conveyed to the President of the Economic Commission of the Monetary and Economic Conference in July, 1933, it was suggested that the first and greatest efforts of each Government should be directed toward the reduction of duties on such products.

3. During the discussions which took place on August 26th, the representatives of the United States Government emphasized the difficulties of granting any reduction in duty on fish of the cod family, cream and potatoes. In their note of November 14th, 1934, the Canadian Government stressed the importance which they attached to these particular products. For this reason these products are included in the attached list of requested concessions, but in such a form that it is hoped that the United States Government will find it possible to grant reductions of duty on these products. In this connection it may be pointed out that the report of the United States Tariff Commission, "Economic Analysis of Foreign Trade of the United States in Relation to the Tariff", includes fresh or frozen fish of the cod family, cream and potatoes among the products of which imports represent less than 5 per cent of domestic production.

4. In this list of proposed concessions, that requested on live cattle involves a modification of the proposal submitted by the representatives of the United States Government in the discussions on August 26th. The Canadian Government do not regard as satisfactory the concession in the form in which it was then offered, but they trust that the proposal in its modified form will be acceptable to the United States Government, having in view the small ratio which imports of live cattle bear to total domestic consumption in the United States.

5. This list is submitted in order that it may be studied by the United States Government prior to the resumption of the detailed discussions between representatives of the two Governments. In this manner, time may be saved and the eventual conclusion of an agreement expedited. Meanwhile, the Canadian Government are giving careful consideration to the requests of the United States Government indicated in the discussions which took place on August 26th. It is anticipated that the Canadian Government, while observing the obligations which they have assumed in trade agreements concluded with other parts of the British Commonwealth of Nations, will be able to go a long way towards meeting the requests of the United States Government. However, the possibility of the conclusion of an agreement on the basis which has been discussed will depend in large measure on the extent to which the United States Government will be able to grant the tariff concessions requested in this list.

I have etc.

[R. B. BENNETT]

179.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1060 Washington, September 20, 1935

Sir,

With reference to the Legation's despatch No. 1034 of September 14th, 1935, I have the honour to state that the President has instructed the Treasury Department to extend until January 1st to Canada, France, the Netherlands, Spain, and Switzerland, the reductions in the United States tariff made under trade agreements concluded under the Trade Agreements Act.

I have etc.

W. D. HERRIDGE

180.

Décret du Conseil
Order in Council

P.C. 3551 November 11, 1935

His Excellency the Govenor General in Council, on the recommendation of the Prime Minister and Secretary of State for External Affairs, is pleased to approve and doth hereby approve the terms of a Trade Agreement between Canada and the United States of America, as set forth in the four documents initialled at Washington on Saturday, November 9th, 1935, by the Prime Minister and Secretary of State for External Affairs of Canada and the Secretary of State of the United States of America.

181.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 85 [Ottawa,] November 11, 1935

IMMEDIATE. Discussions with Government of the United States for signature of Trade Agreement having now been completed it is desired that His Majesty may be humbly moved to appoint the Right Honourable William Lyon Mackenzie King, Prime Minister and Secretary of State for External Affairs, as his plenipotentiary with Full Power and authority to sign in respect of the Dominion of Canada.

It is proposed that signature will take place at Washington on Wednesday or Thursday of the present week. Accordingly it would be appreciated if a cable could be sent tomorrow or early Wednesday stating that Full Powers are being prepared and indicating date on which they will be despatched.

182.

Le chargé d'affaires aux États-Unis au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires in United States to Secretary of State for External Affairs

TELEGRAM Washington, November 12, 1935

IMMEDIATE. CONFIDENTIAL. Following for Prime Minister from Skelton. Begins. Question of date of enforcement of Trade Agreement is presenting difficulty. On the one hand, United States desire to have signature completed by exchange of ratifications before Congress opens, so that arrangements cannot possibly be upset. On our part, however, it would be difficult under procedure at present contemplated to conform with this programme because of the fact that His Majesty's Instrument of Ratification cannot be presented for exchange necessary to give full and technical effect to Agreement before Parliamentary approval has been secured in Canada. We can, of course, put into effect all changes in rates under Sections 4 and 11 of Customs Tariff, but it is doubtful whether this would meet legal and political exigencies from the United States angle.

In discussions with authorities here, we have been considering possibility of including in final article of Agreement, a provision for bringing articles embodying substance of most favoured nation treatment in tariff rates and special tariff rates concessions on each side, into effect at some date in December, with the proviso that the rest of Agreement shall come into force on date of exchange of ratifications. This, however, under the present plan for meeting of Canadian Parliament, could not take place until late in January, and would expose Agreement meanwhile to attacks in Congress, both from those opposed to Trade Agreement policy in general and from powerful interests affected by special concessions to Canada.

Would it be possible to consider having short special session of Canadian Parliament meet about December 15th, to deal solely with Trade Agreement, and, if necessary, with any sanction legislation? In this case, exchange of ratifications could take place, say, December 31st, and the whole Agreement come into force in both countries on that date. It is assumed that in such a case Parliament could adjourn until February for ordinary legislative programme. Ends.

183.

Le chargé d'affaires aux États-Unis au secrétaire d'État des États-Unis
Chargé d'Affaires in United States to Secretary of State of United States

No. 159 [Washington,] November 13, 1935

Sir,

At the moment of signature of the Trade Agreement between Canada and the United States of America, I am directed by the Secretary of State for External Affairs to state for the information of your Government that it is the intention of His Majesty's Government in Canada to invite Parliament at its next session to enact legislation amending the provisions of the Customs Act presently fixing the methods of determining the value of merchandise for duty purposes, as a step toward the realization of their declared objective of eliminating arbitrary executive interference with the normal courses of trade. They propose, at the first opportunity, to press forward with the reform of the administrative provisions of the Customs Act with this end in view, and believe that the modifications which they have had in mind and which have been discussed with representatives of your Government will stabilize and safeguard the value of the mutual concessions in rates of duty incorporated in today's Agreement.

. . .

I am further directed to state that the Canadian Government propose to invite Parliament to permit the entry free of duty and charges of incidental purchases by residents of Canada returning from the United States of America, not exceeding the value of one hundred dollars, under regulations, particularly as to frequency of such entry and duration of visits, to be prescribed, for such time as treatment substantially equivalent to that now in effect is accorded by the Government of the United States of America to incidental purchases by residents of that country returning from Canada.

I have etc.

H. H. WRONG

184.

Le secrétaire d'État des États-Unis au chargé d'affaires aux États-Unis
Secretary of State of United States to Chargé d'Affaires in United States

[Washington,] November 15, 1935

Sir,

With reference to Article XIII of the Trade Agreement signed this day between the United States and Canada, the Government of the United States,

as an exceptional measure, will refrain from claiming any advantages now accorded or which may hereafter be accorded by Canada exclusively to territories under His Majesty's mandate and administered as integral portions of territory under His Majesty's sovereignty.

Accept etc.

CORDELL HULL

PARTIE 3 / PART 3

EAUX NAVIGABLES
WATERWAYS

185.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 245 Ottawa, June 15, 1931

Sir,

Under instructions from my Government, I have the honor to inform you that the United States War Department is desirous of making a hydrographic survey of Rainy Lake, the field work to begin in the spring of 1932.

It appears that in 1917 the Canadian Government was disposed to grant permission for surveys to be made along the Rainy River, Rainy Lake, and other boundary and connecting waters between the Lake of the Woods and Lake Superior for the purpose of charting waters adjacent to the International boundary. Up to the present charting in this area has been limited to general shoreline surveys and it is now planned to supplement this work with a detailed hydrographic survey. The area cross-lined in blue on the accompanying map indicates the scope of the proposed survey which it is expected will include some additional triangulation for the control of hydrographic surveys, sounding, and sweeping of critical areas.

I should appreciate being informed whether that part of the proposed undertaking which would necessarily be carried on in Canadian waters will be agreeable to the Canadian Government.

I avail etc.

B. REATH RIGGS
for the Minister

186.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 252 Ottawa, June 26, 1931

Sir,

Under instructions from my Government, I have the honor to inform you that the United States River and Harbor Act of July 3, 1930, adopted a project providing for the deepening of the downbound channels in the Detroit River, and to inquire whether the Canadian Government will be disposed to grant its approval of the execution by the United States of that part of the work which will have to be done in Canadian territory.

In this connection I am transmitting herewith a copy of a letter[1] addressed to the Secretary of State by the Acting Secretary of War, setting forth in detail the work to be undertaken, together with two blueprints and a copy of a report by the United States Lake Survey Office on the question of compensating water levels for effect of deepening channels in the lower Detroit River.

I avail etc.

B. REATH RIGGS
for the Minister

187.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

No. 106 Ottawa, July 14, 1931

Sir,

Referring to your despatch No. 245 of June 15th, 1931, requesting permission for the United States War Department to make a hydrographic survey of Rainy Lake, the field work to begin in the spring of 1932, I have the honour to state that this Government agrees to grant the permission requested, on the following conditions:

Officers of the United States Government shall be permitted to land on Canadian shores and islands included in the area cross-lined in blue on the map which accompanied United States Legation despatch No. 245, for the purpose of carrying out triangulation control for hydrographic surveying, including sounding and sweeping, and to take with them such survey gear,

[1] Non reproduite. [1] Not printed.

instruments, etc., as may be required, with the understanding that such permission may be withdrawn whenever considered necessary by the Canadian Government and that upon completion of the work or upon the withdrawal of the permission all gear will be removed without cost to the Government of Canada, and further that permission be obtained in advance from the owners of private property upon which it may be necessary to enter in the prosecution of the work.

It is also requested that, as the work proceeds, the following information may be furnished by the United States Government:

(*a*) Name and appointment of United States official in charge of the work;

(*b*) The number of men in the party, or parties, employed on the various phases of the survey;

(*c*) The date on which the work will commence, and an estimate of the time it will take to complete it;

(*d*) The location in Canadian territory of the camp sites which the party or parties propose to occupy during the progress of the work;

(*e*) Notification of the completion of the survey.

Accept etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

188.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 295 Ottawa, September 5, 1931

Sir,

With reference to your note No. 106 of July 14, 1931, relative to the desire of the United States War Department to make a hydrographic survey of Rainy Lake, I have the honor to inform you that the Secretary of State has now received a communication, dated August 25, 1931, from the War Department, stating that the conditions set forth in your note will be observed; that the field work will commence May 1, 1932, and that the detailed information desired by the Canadian Government will be furnished prior to the commencement of field operations and as the work progresses.

I avail etc.

HANFORD MACNIDER

189.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 354 Ottawa, December 30, 1931

Sir,

I have the honor to refer to the Legation's note No. 252 of June 26, 1931, relative to the proposed deepening of the downbound channels in the Detroit River.

The Secretary of State at Washington has now received a letter, copy of which is enclosed,[1] from the Secretary of War, stating that a considerable saving in the cost of this work may be effected by the construction and use of certain cofferdams, temporary weir, and additional disposal areas. A report with drawings, showing the extent of the proposed works is also enclosed. The War Department is now prepared to proceed with the project and I should appreciate being informed at your earliest convenience whether it has the approval of the Canadian Government.

I avail etc.

B. REATH RIGGS
for the Minister

190.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 28 Ottawa, February 25, 1932

Verbal discussions with the Government of the United States for the completion of the St. Lawrence Waterway have now been brought to a point where it is probable a treaty may be signed providing for joint action in the international section, each country assuming responsibility for the works in its national section. It is desired therefore that His Majesty may be humbly moved to appoint the Honourable William Duncan Herridge, Canadian Minister to the United States, as His Commissioner and Plenipotentiary, with full power and authority to sign for the Dominion of Canada a treaty for the completion of the St. Lawrence Waterway.[2] A copy of draft will be sent by despatch as soon as formulated.

[1] Non reproduite.
[2] Le traité fut signé le 18 juillet 1932.

[1] Not printed.
[2] The Treaty was signed on July 18, 1932.

191.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

No. 35 Ottawa, March 24, 1932

Sir,

I have the honour to refer to Mr. Riggs' note No. 358 of January 8th, 1932, and previous correspondence regarding the proposal of your Government for the deepening of the downbound channels in the Detroit River, and to state that after full consideration and consultation with engineers representing the United States and with the authorities of the Province of Ontario, the Canadian Government consents to the carrying out of the works for the improvement of navigation in the Detroit River proposed in Mr. Riggs' note No. 252 of June 26, 1931, as shown on Plan D.D.R. 18/96, if carried out by dredging and dumping, or alternative plan D.D.R. 18/100, if carried out by dredging, dry excavation and dumping, and of the system of compensating works shown on plan D.D.R. 18/97, subject to the following conditions:

(1) Hydraulic measurements shall be continued by the United States Engineers throughout the progress of, and after completion of the work, and any adjustment of the proposed dykes, or dams, or spoil areas as may be found necessary shall be made by the United States Government as part of the project in order to maintain the existing levels.

(2) During such time as the Amherstburg Channel will be used as both an upbound and downbound channel a suitable ship under a responsible officer shall be placed in charge of the control of traffic in this channel by night and by day and the cost thereof shall form part of the outlay in carrying out the project by the United States Government.

(3) Before diverting traffic, and periodically while traffic is so diverted, the United States Government shall prove the depth in the Amherstburg Channel by sweeping, and remove any obstructions found therein.

(4) During the progress of the work gaugings and meterings shall be carried out in the section under improvement, particularly in the Ballard Reef-Amherstburg-Livingstone Channel section, by the United States Corps of Engineers, the Department of Public Works to be kept advised of the results obtained so as to ensure that treaty limitations are adhered to and navigation interests protected. The improvement shall be carried out in such a way, or under such a programme as to ensure maintenance of water levels and acceptable discharges in the navigation of channels. Authorized representatives of the Canadian Gov-

ernment shall be free, at all times, to inspect the work during progress, and also shall be permitted to make whatever check surveys, with soundings, meterings, and gaugings in any part of the Detroit River as may be considered desirable at any time.

(5) The dykes shall be built to a height of about 5 feet above high water level, uniform in shape and elevation, and shall be maintained thereafter in good condition by the United States Government. The spoil area marked D on plan D.D.R. 18/100, lying to the west of the proposed dyke adjoining the Ballard Reef Channel shall either be left with a depth of at least several feet of water over it, or, in the event of being filled with spoil, such spoil material shall be carried to a uniform elevation well above water level.

(6) If additional compensation be required in the future due to further deepening or widening in the channels of the Detroit River, such compensation shall be provided by remedial works in the Trenton Channel if deemed advisable.

(7) If it be found that the increased velocities are likely to, or do, cause damage to the Canadian shores, whatever action is necessary to prevent or to repair such damage shall be carried out and the cost borne as part of the project.

(8) In regard to disposal areas which may be located on private property, or property in the right of the Crown as administered by the Province of Ontario, the consent of the owners shall be obtained by the United States Government before commencing operations.

(9) Whatever works are carried out in Canadian territory shall be carried out without prejudice to the sovereign or territorial rights of the Dominion of Canada.

(10) The works or materials built or deposited in Canadian waters shall automatically become the property of the Crown in the right of the Dominion, or of the Province of Ontario, or the property of private individuals depending on the ownership of the site where the works are built or materials are placed.

(11) The Canadian Government shall be informed in advance of the method to be followed in carrying out the work and shall be provided with a programme of operations.

If the Government of the United States sees fit to carry the excavation depth to 28 feet below standard improvement plane in the rock section, the Canadian Government consents to this modification, subject to the foregoing conditions of approval.

Accept etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

192.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1034 Washington, October 5, 1932

Sir,

With reference to the Legation's despatch No. 819 of July 11th, 1932, concerning the progress made by the Sanitary District of Chicago in carrying out the Supreme Court's Decree of April 21st, 1930, I have the honour to report that on the opening of the current session of the Supreme Court of the United States, on October 3rd, an application was filed by the Attorney General of Ohio on behalf of the States of Ohio, Wisconsin, Michigan and Minnesota, requesting the Court to issue a rule to officials of the State of Illinois and the Sanitary District to show why the Court should not appoint an officer to see to the execution of its decree of April 21st, 1930, at the expense of the State of Illinois and the Sanitary District. Mr. Bettman, in presenting his motion, mentioned that the progress of the Sanitary District in constructing the necessary works has been "meagre and inadequate and much of the time negligible", and asserted that at the rate of construction during the first six months of this year it would require three hundred and twenty years to complete the works.

2. The issue involved in this application is said to be unprecedented. I enclose copies of an article from the *United States Daily* of October 4th, containing the text of a statement issued by Mr. Bettman.

I have etc.

W. D. HERRIDGE

193.

Le chargé d'affaires des États-Unis au secrétaire d'État aux Affaires extérieures
United States Chargé d'Affaires to Secretary of State for External Affairs

No. 576 Ottawa, October 6, 1932

Sir,

Under instructions from my Government, I have the honor to transmit herewith copy of a letter[1] addressed to the Secretary of State at Washington by the Acting Secretary of War, regarding operations which the War Depart-

[1] Non reproduite. [1] Not printed.

ment proposes to conduct in Canadian waters in connection with the dredging of certain shoal areas in the St. Clair River to a depth of twenty-five feet at low water datum. A set of thirteen blue prints, showing in general the areas which are to be dredged, are also enclosed.

Since it is proposed to perform this work during the season of 1933, I should appreciate being informed as soon as may be conveniently possible whether or not the Canadian Government will be disposed to grant the necessary permission.

I avail etc.

PIERRE DE L. BOAL

194.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1048 Washington, October 11, 1932

Sir,

In continuation of my Despatch No. 1034 of October 5th concerning an application to the Supreme Court of the United States to secure the enforcement of the Court's Decree in respect to the Chicago Diversion, I have the honour to state that yesterday the Supreme Court issued a rule on this matter. The rule requires the State of Illinois and the Sanitary District of Chicago to show cause by printed return by November 7th why they have not taken appropriate steps to effect compliance with the Decree of April 21, 1930. The Court also set November 14th as the date for Oral Argument on the application and instructed briefs to be filed on that day.

I have etc.

W. D. HERRIDGE

195.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1114 Washington, November 19, 1932

Sir,

I have the honour to submit a report concerning the hearings before a sub-committee of the Foreign Relations Committee of the United States

Senate on the St. Lawrence Deep Waterway, which were begun on November 14th and were yesterday adjourned until November 28th. The sub-committee consists of Senator Borah, Chairman, and of Senators Robinson, Walsh of Montana, Wagner, LaFollette, Vandenberg and Glenn. Of these, Senators Walsh, Vandenberg, and LaFollette have for long been staunch supporters of the Waterway; Senator Glenn is considered to be probably, though not certainly, opposed; Senator Wagner is likely to take the position, as yet unrevealed, of Governor Roosevelt; Senator Robinson, who has not as yet attended the hearings, is understood to incline to hostility, although as Democratic leader in the Senate he also might be influenced by Mr. Roosevelt's views; and Senator Borah is maintaining a neutral attitude. The sub-committee has decided to conduct all its proceedings in Washington. As yet it has heard only hostile witnesses, but Senator Borah has announced that precedence will be given to favourable witnesses on and after November 28th. The full text of its proceedings will not be available until the hearings have ended.

2. The hostile testimony has, in general, followed expectations, and there is little for me to add to the reports of the proceedings which have appeared in the Canadian press. Representatives have appeared of Chambers of Commerce, Boards of Trade, Port Authorities, or other mercantile organizations in New York, Albany, Buffalo, Philadelphia, Baltimore, Norfolk, and Boston. The railroads have been strongly represented by a spokesman from the Association of Railroad Executives, and by officers of the Short-Lines Railroad Association and the Security Owners Association. The New York State Watersays Association has voiced its especial concern in vehement testimony from its president, Mr. Ten Eyck. The Lake Carriers Association and some individual lake shipping companies have joined in the attack.

3. Obvious reasons of self-interest prompted opposition from all these quarters. The chief surprise has been the adhesion of the northwestern railroads to the protest of the other lines, since these railways have in the past favoured the construction of the Waterway. It is rumoured that they joined only after considerable pressure had been brought to bear on them, on the ground that the railways, being in need of further loans from the Reconstruction Finance Corporation, must present a united front. No oral testimony has yet been offered by witnesses from Chicago; nor has the Power Authority of New York made known its views.

4. The most important testimony has been that which sought to prove, usually with data derived from Moulton's "The St. Lawrence Navigation and Power Project", that the Waterway was economically unsound, and would further burden the railways without substantially reducing the cost of transportation by water. Almost every witness has derided the estimates of cost of the Joint Board of Engineers—assertions to which the Army Engineers

may be expected to make an impressive answer. Many witnesses have also maintained, that the benefits of the project will accrue mainly or wholly to Canada; as one representative of the railways put it: "Canada has everything to gain and nothing to lose, while the United States has everything to lose and nothing to gain." A few have talked wildly about the Waterway as a menace to national security; Mr. Ten Eyck made himself ridiculous by urging as an antecedent condition the cession of all Canadian territory on the right bank of the River and Gulf of St. Lawrence, and Mr. Thom damaged an otherwise moderately-worded case for the railways by asserting that the construction of the Waterway would necessitate the fortification of the St. Lawrence by the United States.

5. The terms of the Treaty have not as yet been subjected to acute analysis. Most witnesses who have referred to them have merely asserted that Canada has got the better of the bargain. The obligation of the United States to spend about fifty millions on the Canadian side of the line, however, has been singled out for attack; and this attack has been chiefly based on the assumption that this expenditure will be used to reduce the costs of power in Canada. This argument has impressed the Committee, but it can easily be destroyed in later evidence from those familiar with the Dominion-Ontario agreement. Little has been said concerning the international restrictions on the Chicago Diversion.

6. When the hearings are resumed the Great Lakes–St. Lawrence Tidewater Association will lead the defence, and it will be supported by witnesses from lake ports and northwestern organizations. It is expected that official evidence will be presented by the Department of State, by Engineers from the War Department, and by transportation experts from the Department of Commerce. The most important evidence in determining the Treaty's immediate future is likely to be that of the Power Authority of the State of New York. On November 9th Mr. Frank P. Walsh, its chairman, telegraphed Senator Borah offering to appear before the sub-committee, which he invited to visit the site of the works, and saying: "The Power Authority of the State of New York is anxious to expedite the St. Lawrence Treaty, and will gladly co-operate with you in every way." He has not yet appeared, and it is probable that when he does so he will express the decision of Governor Roosevelt.

7. At the moment, after a week's hostile testimony, the press is drawing the conclusion that the prospects of ratification at the next session of Congress are very dim, and that the ultimate approval of the Treaty by the Senate is in grave doubt. This short-sighted view should be heavily discounted. It is, of course, always difficult to secure the passage of controversial measures at short sessions of Congress, and the forthcoming session is going to be unusually congested. Mr. Hoover, however, will certainly vigorously press for the consideration of the Treaty by the Senate. It is still

possible that Mr. Roosevelt will also favour its passage. Last July, immediately after his nomination, he endorsed the project. During the campaign he said nothing about the St. Lawrence as a waterway, but on several occasions mentioned it as an essential power development. His only public criticism of the Treaty has been concerned, not with its terms, but with the method of its negotiation. He is now in a position to see that the claims of the State of New York on the division of costs are settled fairly. The immediate destiny of the Treaty is probably in his hands. At present it would be unwise to deny the Treaty a modest chance of ratification at the short session. It is furthermore expected generally that a special session of the new Congress will have to be summoned shortly after his inauguration; and then the time-element would be lacking which curbs debate and encourages filibustering during a short session.

I have etc.

W. D. HERRIDGE

196.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1178 Washington, December 20, 1932

Sir,

With reference to my despatch No. 1154 of December 9th, concerning the action instituted by the States of Wisconsin, Michigan, Ohio, et al. before the Supreme Court of the United States, in order to enforce compliance by the State of Illinois and the Sanitary District of Chicago with the Supreme Court's decree of April 21st, 1930, I have the honour to report that yesterday the Supreme Court appointed a Special Master, with directions to make a summary enquiry and to report to the Supreme Court by April 1st, 1933. The Special Master is Mr. Edward F. McClennen, of Boston; his report is to cover the causes of delay in the construction of works in the Chicago River, and of the sewage treatment works, and also the financial measures which should be taken by the Sanitary District of the State of Illinois, in order to carry out the decree. I enclose copies of an extract from today's *United States Daily* which contains the full text of the Order of the Court.

I have etc.

W. D. HERRIDGE

197.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 39 Washington, January 13, 1933

Sir,

With reference to your despatch No. 5 of January 10th, 1933, I have the honour to state, in confirmation of my telephone conversation of today, that I exchanged notes this morning with the Secretary of State on the subject of the effect of the St. Lawrence Treaty upon the diversion from the St. Lawrence River at Massena. I enclose a copy of the Secretary of State's note and my reply thereto, both of which are in accordance with the drafts approved by you.

2. The Department of State this afternoon is issuing a brief statement for use in tomorrow morning's papers, announcing the exchange of notes and stating that their purpose was to clear up the effect of the treaty on the Massena diversion. The announcement adds that the notes will be made public in due course. It appears that the President has never formally transmitted the St. Lawrence Treaty to the Senate for approval, this action having been delayed until this exchange of notes took place. It is now proposed that the Treaty and the exchange of notes should be submitted together to the Senate with a covering message, probably on January 16th or 17th. The message and the text of the notes will not be released by the Senate until the formality has been complied with of removing the so-called injunction of secrecy. This is not likely to occur before January 18th at earliest and possibly not for several days thereafter.

3. I consider that the text of the notes should be released in Ottawa, together with an explanatory statement, at the time that they are made public here. The Department of State has promised to give me advance information of the action of the Senate in this regard. I venture to suggest that the notes and covering statement should be prepared for transmission to the press, so that their release may take place as soon as I am able to inform you that they are being made public at the Capitol here.

4. I gather from Mr. Rogers of the Department of State that it is likely that the Senate resolution proposing approval of the Treaty will contain a reference to the exchange of notes. There seems to be a good chance that the Treaty will be favourably reported to the Senate within a few days, though its consideration may have to await the convocation of a special session of the Senate after Mr. Roosevelt's inauguration. It is considered probable that the

Senate alone will be convened almost immediately after March 4th, in order to confirm the appointment of persons nominated by him to office.

I have etc.

W. D. HERRIDGE

[PIÈCE JOINTE I / ENCLOSURE I]

Le secrétaire d'État des États-Unis au ministre aux États-Unis
Secretary of State of United States to Minister in United States

[Washington], January 13, 1933

Sir,

I have the honor to inform you that during the senatorial inquiry into the Great Lakes–St. Lawrence Deep Waterway Treaty, signed July 18, 1932, a suggestion has been made that an indirect effect of the terms of the treaty might be to commit this Government or the State of New York or other authorities concerned, if any, to the continuance of the diversion for the private power installation now using the Massena Canal and the Grass River. The suggestion is based on the circumstance that the reports of the Joint Board of Engineers in outlining the general engineering project which is adopted as a basis for the treaty include an estimate for the continuance of diversion facilities at the present location of the Massena Canal intake.

I do not agree that any such consequence arises from the terms of the treaty, and I am confident that the Canadian Government, like our own, has no desire or intention that the treaty should even remotely produce such consequences. This Government believes that the treaty does not, and desires that it should not in any respect, fix the policy to be pursued within the United States in regard to the recognition of or maintenance of the diversion referred to above, and is confident that the Treaty does not operate to limit the freedom of the United States to deal with this diversion as a domestic question involving only the use of this Government's share of the flow of the river.

In order, however, to remove all doubt as to the purpose and effect of the treaty, I request the Government of Canada to state whether it will join this Government in a statement of the following principles:

1. The effect of the Great Lakes–St. Lawrence Deep Waterway Treaty, signed at Washington, July 18th, 1932, is not in any respect to recognize, confirm, or establish any rights or claims of any person or corporation in respect to the diversion of water for power purposes through the Massena Canal and Grass River, or to limit the freedom of the United States or the State of New York, or other competent authority to treat the question of the continuance, control, or elimination of such diversion as a domestic question.

2. The Canadian Government does hereby, and will, upon request, formally consent to the modification or elimination of the works provided for in the Report of the Joint Board of Engineers in connection with the said diversion through the Massena Canal.

3. The Canadian Government recognizes that the competent authorities in the United States are free to eliminate the diversion of water for power purposes through the Massena Canal and Grass River, and to use the water so released through the main river works in conformity with the provisions of Article IV of the said Treaty.

Accept etc.

HENRY L. STIMSON

[PIÈCE JOINTE II/ENCLOSURE II]

Le ministre aux États-Unis au secrétaire d'État des États-Unis
Minister in United States to Secretary of State of United States

No. 8 [Washington] January 13, 1933

Sir,

I have the honour to acknowledge the receipt of your note of January 13th, 1933, relating to the effect of the Great Lakes–St. Lawrence Deep Waterway Treaty upon the diversion of the waters of the St. Lawrence River at Massena.

My Government shares the views of the United States Government that it was not the purpose of the Treaty to fix, in any respect, the policy to be pursued in regard to the maintenance of such diversion. It is the view of the Canadian Government that the continuance or discontinuance of that diversion is a purely domestic matter for determination by competent authorities in the United States.

The Canadian Government, therefore, joins with the United States Government in a declaration of the following principles:

1. The effect of the Great Lakes–St. Lawrence Deep Waterway Treaty, signed at Washington July 18th, 1932, is not, in any respect, to recognize, confirm, or establish any rights or claims of any person or corporation, in respect to the diversion of water for power purposes through the Massena Canal and Grass River, or to limit the freedom of the United States or the State of New York, or other competent authority, to treat the question of the continuance, control or elimination of such diversion as a domestic question;

2. The Canadian Government does hereby and will, upon request, formally consent to the modification or elimination of the works provided for in the report of the Joint Board of Engineers, in connection with the said diversion through the Massena Canal;

3. The Canadian Government recognizes that the competent authorities in the United States are free to eliminate the diversion of water for power purposes through the Massena Canal and Grass River, and to use the water so released through the main river works in conformity with the provisions of Article IV of the said Treaty.

I have etc.

W. D. HERRIDGE

198.

Le secrétaire d'État aux Affaires extérieures au chargé d'affaires des États-Unis

Secretary of State for External Affairs to United States Chargé d'Affaires

No. 27 Ottawa, March 21, 1933

Sir,

I have the honour to refer to your note No. 576 dated the 6th October, 1932, in which you transmitted a copy of a letter addressed to the Secretary of State at Washington by the Acting Secretary of War regarding operations which the War Department proposed to conduct in Canadian waters in connection with the dredging of certain shoal areas in the St. Clair River to a depth of twenty-five feet at low water datum, and enclosing a set of thirteen blue prints showing in general the areas to be dredged.

I have the honour to inform you that the Canadian Government has granted the necessary permission to carry out the proposed works, subject, however, to the following conditions:

(1) That the United States Government, having decided upon the extent of the proposed improvement, shall, before proceding with the dredging and disposal of spoil material, submit the result of their further studies to the Engineers of the Department of Public Works, and secure the concurrence of the Canadian Government Engineers therein, in order that the maximum beneficial effect from the disposal of the waste material shall be obtained.

(2) That the Canadian Government shall be informed in advance of the method to be followed in carrying out the work, and shall be provided with a programme of operations.

(3) That a particular study shall be made of the conditions surrounding navigation at the junction of the Chenal Écarté river with the main channel of the St. Clair River, and agreement secured thereto between the Engineers of the United States Government and the Engineers of the Canadian Government in order that, as a result of any improvement proposed to be made, the difficulties of navigating at this section will be no more onerous than under existing conditions.

(4) That during the progress of the work, and subsequent thereto, such soundings, gaugings, and meterings shall be carried out as may be agreed upon, the work to be done by the United States Corps of Engineers, the Department of Public Works to be kept advised of the results obtained so as to insure that limitations of the Boundary Waters Treaty of 1909 are adhered to, and navigation interests protected. Authorized representatives of the Canadian Government shall be free

at all times to inspect the work during progress and shall also be permitted to continue to make such check surveys with soundings, meterings and gaugings, in any part of the St. Clair River, as may be considered desirable at any time.

(5) That whatever works are carried out in Canadian territorial waters shall be carried out without prejudice to the sovereign or territorial rights of the Dominion of Canada.

(6) That the ownership of materials deposited in Canadian waters, or upon lands in Canada, shall automatically become the property of the Crown in right of the Dominion or of the Province, or the property of private individuals, dependent on the ownership of the site where the materials are placed; provided, however, that this condition shall not be construed as entitling the owner of such site to remove or otherwise disturb the materials deposited in Canadian waters, unless authorized by the appropriate authorities charged with the responsibility for the interests of navigation.

(7) That all necessary steps shall be taken by the United States Government to safeguard the interests of navigation during the progress of work.

(8) That the United States Engineers shall present plans for submission to the Department of Indian Affairs showing, in detail, the location and extent of the spoiling areas on Walpole Island, Squirrel Island and the marshes south thereof, accompanied by a statement setting forth the method of disposal and the extent of the yardage involved.

(9) That, if on receipt of this information an investigation shows that the interests of the Indians will suffer damage, either directly or indirectly, or by reason of the effect of such operations upon existing or prospective leases, equitable compensation will be paid to the Department of Indian Affairs for the benefit of the Indians.

(10) That the method of disposal will be subject to the approval of the Department of Indian Affairs.

(11) That, prior to the commencement of the work, the Department of Indian Affairs will be provided with a programme of the operations, in so far as they may affect Walpole and Squirrel Islands and the marshes south thereof.

(12) That, in view of a question that exists between the Department of Indian Affairs and the Government of the Province of Ontario as to the ownership of the marshes adjoining these lands, and without prejudice to the claim of the Department of Indian Affairs, which does not admit the claim of the Province, the consent and approval of the Government of the Province of Ontario should be obtained, in so far as it may affect any claim that that Province may have in these marshes.

(13) That the consent of the owner of any land upon which waste material is to be deposited, whether that owner be the Crown in right

of the Dominion or in right of the Province of Ontario, or a private individual, shall be obtained prior to the disposition of any such waste material on such land. This provision shall not extend to the disposition of waste material in the bed of the river at places where the depth is in excess of forty feet, and where the disposition is in accordance with the limitations set forth in the proposal.

(14) That, while it is expected that adherence to the foregoing conditions will insure that the resulting effect of the contemplated work upon the levels of Lakes Huron and Erie and the connecting waters will be practically negligible, the United States authorities will, in the event of adverse effects upon such levels resulting, undertake the construction of such compensating works as may be necessary.

(15) That the permission hereby granted is without prejudice to the rights or obligations of either of the parties arising from either the provisions of or the declarations noted in the St. Lawrence Deep Waterway Treaty, signed at Washington the 18th July, 1932.

Accept etc.

W. H. WALKER
for the Secretary of State
for External Affairs

199.

Le secrétaire d'État des États-Unis au ministre aux États-Unis
Secretary of State of United States to Minister in United States

[Washington,] April 5, 1933

Sir,

I have the honor to inform you that as a consequence of the world-wide depression a serious financial situation has developed in the State of Illinois which has resulted in a cessation of construction work on the sewage disposal plants contemplated by the decree of the Supreme Court of the United States of April 21, 1930. The Sanitary District's schedule of construction is now considerably in arrears, and officials of the State of Illinois represent that the necessary works to enable the Sanitary District to comply with the above-mentioned decree may not be completed by the end of 1938. In these circumstances, they point out that to reduce the diversion of water from Lake Michigan to the quantity permitted as of December 31, 1938, by the above-mentioned decree, might seriously endanger public health.

Certain aspects of this question are now pending before the Supreme Court of the United States and will, in due course, be decided on the merits of the case. It would, however, be helpful for the Government of the United States, in view of the provisions of Article VIII of the pending Great Lakes-St. Lawrence Deep Waterway Treaty, signed in Washington on July 18, 1932,

to have an indication of the attitude of the Canadian Government in this matter. You will recall that Article VIII(a)2 of the pending St. Lawrence Deep Waterway Treaty makes provision for Canada's acquiescence in increases in the diversion permitted under the decree of the Supreme Court through the Chicago drainage canal to meet an emergency.

I should appreciate being informed whether, if before December 31, 1938, it should become manifest that an extension of time for curtailing the diversion in conformity with the Supreme Court's decree of April 21, 1930, is necessary, and the Government of the United States should request the acquiescence of the Canadian Government, the Government of Canada would in such circumstances give its acquiescence in such an extension for a period of not to exceed two years from December 31, 1938, on the understanding that such an agreement would not in any way affect or modify the provisions of the pending Treaty.

Accept etc.

WILLIAM PHILLIPS
for the Secretary of State

200.

Le ministre aux États-Unis au secrétaire d'État des États-Unis
Minister in United States to Secretary of State of United States

No. 53 [Washington,] April 5, 1933

Sir,

I have the honour to refer to your note of even date herewith, concerning the Chicago diversion as affected by the provisions of the St. Lawrence Deep Waterway Treaty.

It appears that in the present circumstances it is possible that the sewage disposal program will not be completed within the time limit set forth in Article VIII (a) 1 of the Treaty. Accordingly, insistence upon the strict application of that clause might imperil the public health of the City of Chicago.

In view of these considerations, I am authorized to inform you that if such a situation arises, the Canadian Government agrees, upon request of the Government of the United States, to give its acquiescence to an extension of the above-mentioned time limit for a period not exceeding two years upon the understanding that such agreement and acquiescence will not in any way affect or modify the provisions of the Treaty.

I have etc.

W. D. HERRIDGE

201.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 546 Washington, May 25, 1933

Sir,

In continuation of my despatch No. 323 of March 27th, I have the honour to transmit copies of an opinion rendered by the Supreme Court of the United States in connection with the further proceedings instituted against the State of Illinois and the Sanitary District of Chicago, in order to enforce compliance with the terms of the Supreme Court's decree of April 21st, 1930.

2. Chief Justice Hughes delivered a unanimous opinion which embodies the recommendations made in the recent report of Mr. E. F. McClennen as Special Master. The gist of the decision is to require the State of Illinois to take all necessary steps to secure the completion of the sewage disposal plants within the time prescribed in the decree of the Court. Protest against the decision has immediately arisen in Illinois where it is contended that the State would have to violate its own Constitution in order to comply with the Court's decree. From the Canadian point of view the decision seems to be wholly satisfactory.

I have etc.

H. H. WRONG
for the Minister

202.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

No. 9 Ottawa, February 2, 1934

Sir,

I have the honour to refer to my note No. 4, dated the 10th January, 1934, concerning the operations which the War Department was proposing to conduct in Canadian waters, in connection with the dredging of certain shoal areas in the St. Clair River.

In that note you were requested to notify the United States authorities that the work might be proceeded with in accordance with the scheme submitted in so far as the river improvement under this portion of the proposal is concerned, and in accordance with the conditions set forth in my note No. 65, dated the 10th June, 1933.

There were certain conditions that the Canadian Government engineers desired to have followed with respect to this section of the river improvement. It is desired:

(1) That no material is to be disposed in areas on the Canadian side of the International Boundary where the depth of water is less than 40 feet below water datum.

(2) That due caution be exercised in depositing the material to ensure that none of it will find its way outside the limits of the area down to receive the spoil material and result in the formation of shoals in Canadian waters.

(3) That none of the material deposited in the north channel (so-called), during the improvement to the navigation channel in the vicinity of Algonac, shall be removed without the prior consent of the Engineers of the Dominion Department of Public Works.

I have been requested by the Department of Public Works to ask you to bring these conditions to the attention of the United States authorities, in order that the conditions may be followed in carrying out the works in question.

Accept etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

203.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 193 Ottawa, March 15, 1934

Sir,

I have the honour to refer to your note No. 9 of February 2, 1934, in which you set forth three conditions which the Canadian Government engineers desire to have followed with respect to the proposed dredging of certain shoal areas in the St. Clair River by the United States War Department.

This matter was referred to the appropriate officials of my Government at Washington and I am enclosing for your information copy of a letter[1] dated March 9, 1934, which the Secretary of War addressed to the Secretary of State on this subject. It will be observed that no objections are raised to the first two conditions mentioned in your note. With regard to the third condition, however, the Secretary of War points out that since the area involved

[1] Non reproduite. [1] Not printed.

lies entirely within United States territory, supervision by engineers of the Canadian Department of Public Works over the use and development of the waterway by the removal of material therefrom, is inadmissible, except as a part of a reciprocal agreement for the joint control of the removal of material from the St. Clair River and its outlets.

I avail etc.

WARREN D. ROBBINS

204.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 266 Washington, March 17, 1934

Sir,

I have the honour to submit for your consideration certain observations with respect to the defeat of the St. Lawrence Waterway Treaty by the United States Senate on March 12th by a vote of 46 to 42, with 8 Senators not voting. If the votes of those who were paired or who later announced their position are included, the figures become 49 for the Treaty and 43 against, with 4 Democrats undeclared. The vote cut directly across both parties. Of the Democrats 31 voted for the Treaty, 22 voted against, and 7 did not vote; of the Republicans 14 voted in favour, 20 against, and one did not vote. Only 4 Republican Senators who are usually counted as regulars supported the Treaty, in spite of the fact that it was negotiated by a Republican Administration; the rest of the Republican votes for the Treaty came from the Progressives, who were solid in their support. This led Senator Norris to indulge in some satirical remarks in the Senate on Thursday on the subject of party regularity.

2. An analysis of the distribution of the vote clearly reveals that the issue was sectional rather than partisan. From the 16 States along the Atlantic seaboard, only 4 Senators—3 Democrats and one Republican—supported the Treaty, and 25 Senators—11 Democrats and 14 Republicans—voted against it; 3 Democratic Senators from this area did not vote. From the east central section of the country between the Alleghany Mountains and the tier of States to the westward of the Mississippi (14 States in all), 16 votes were recorded for the Treaty (11 Democrats and 5 Republicans) and 10 against it (7 Democrats and 3 Republicans). This region includes most of the Great Lake States, which were favourable, and the entire Mississippi Valley, where opinion was divided but a majority favoured the Treaty. Senators from the 18 States in the western half of the country supported the Treaty almost as strongly as those from the Atlantic seaboard opposed

it. From this region there were 26 favourable votes—17 Democrats and 9 Republicans—and 7 hostile votes cast by 4 Democrats and 3 Republicans. Considerably more than two-thirds of the Senators from all the 32 States situated between the Alleghany Mountains and the Pacific Coast supported the Treaty—42 for and 17 against.

3. This analysis clearly reveals the major reasons for the Treaty's defeat. The vociferous opposition from Chicago and the Mississippi Valley was comparatively ineffective. The Treaty's fate was determined by the combined pressure brought to bear by the railway companies, port authorities, and power interests in the States along the Atlantic seaboard. Their propaganda, operating mainly through Chambers of Commerce and other commercial organizations, was skilfully enough conducted to win from the Administration the support of nearly all the regular Democratic Senators from these States, and to cause all the Republican Senators, with the single exception of one Senator from Vermont, to turn against President Hoover's favourite project. One's general conclusion must be that the Treaty was beaten mainly through the activities of the transportation and power interests, successfully operating to establish an appearance of a sectional cleavage of interest.

4. About an hour before the Treaty was defeated in the Senate, the President at a press conference admitted that its defeat was certain and discussed the resulting situation. I think it advisable that you should have an accurate version of what he said at that time; it must be recognized that his remarks were designed for local consumption. In the first place, he declared that he was confident that the seaway would be built, as its construction was "ordained by nature". He proposed to bring the matter up again, and to continue until victory was secured. The vote of the Senate would merely postpone the project, not prevent it. The Treaty would be returned to the Senate, perhaps at the next session, and possibly with some slight modifications or reservations. If the seaway was not built by international agreement, Canada would eventually build it alone through Canadian territory and under exclusive Canadian jurisdiction. This was no idle threat; and it could be done by Canada from the International Rapids to Montreal for about $100,000,000 by eliminating the power dams. (Apparently the President had in mind the deepening of the existing Canadian canals). If it became apparent that Canada would act alone, then sentiment in the United States for the Treaty would certainly develop.

5. The President went on to say that if the seaway were built by Canada, Canada would have the legal, if not the moral, right to allow free passage to Canadian and British shipping while levying tolls against United States shipping using the canals. These tolls might be set so high as to be prohibitive. This is an interpretation of existing treaties which the State Department would certainly be unwilling to confirm. He proceeded to comment on the diversion of water from Lake Michigan, and declared that he would propose no concessions in favour of those demanding a greater diver-

sion. In his opinion the common law principle that no one has the right to divert the natural flow of water without replacing it applies to this situation, and the common law principle he regarded as being also a part of international law. A sufficiency of water for the Illinois Waterway was available under the Treaty, and the Government of the United States proposed to respect the interest of Canada in this matter.

6. A formal motion to reconsider the vote whereby the Treaty was beaten has been made by Senators Lewis and Long. This is a procedural device presumably for the object of preventing further consideration of the Treaty at this session.

I have etc.

W. D. HERRIDGE

205.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

No. 33 Ottawa, April 20, 1934

Sir,

I have the honour to refer to your note No. 193, dated the 15th March, 1934, in which you discuss the three conditions which the Canadian Government engineers desired to have followed with respect to the proposed dredging of certain shoal areas in the St. Clair River, by the United States War Department. These conditions were communicated to you, in my note No. 9, dated the 2nd February, 1934, which dealt with the second part of the project.

You have stated that no objections are raised to the first two conditions mentioned in my note. With regard to the third condition, however, the Secretary of War has pointed out that, since the area involved lies entirely within United States territory, supervision by engineers of the Canadian Department of Public Works over the use and development of the waterway, by the removal of material therefrom, is inadmissible, except as a part of a reciprocal agreement for the joint control of the removal of material in the St. Clair River and its outlets. In the letter from the Secretary of War, dated the 9th March, 1934, which was enclosed in your note, it was stated that joint control by a suitable Control Board, while not of pressing importance, has certain obvious advantages, and merits consideration, but that, until such joint control is agreed upon, the Department is of the opinion that your Government should not consent to the control by the engineers of the Canadian Department of Public Works, of the removal of material from the north channel of the St. Clair River.

This matter has been reconsidered by the Department of Public Works. The Department's action, in proposing the third condition, was based upon the belief that the maintenance of this fill was desirable, as compensation for the removal of material in the deepening, by your Government, both on its own side and on the Canadian side, in the channel of the St. Clair River. It was thought that the correspondence which was exchanged in 1926 and 1927 between the Secretary of State of the United States and the British Ambassador, and later the Canadian Minister at Washington, concerning the further removal of material for commercial purposes in the vicinity of Point Edward waterfront, had recognized that each Government had an interest in the removal of material from the bed of the River on the other side of the international boundary-line, by reason of the possible effect of such removal on the general level, particularly of Lake Huron. The understanding established in this correspondence was intended to be the basis of the condition as formulated. The Department did not have in mind the obtaining of any new extraterritorial rights or privileges, but merely the recognition and re-affirmation of the reciprocal understanding which had already been established.

The attitude taken by your Government with regard to the Point Edward situation has enabled the Department to resist demands for permission to remove material from the bed of the river in quantities exceeding those limited by the exchange of correspondence in 1926. In the present year, as a result of conversations between the Canadian engineers and the United States War Department engineer at Detroit, the Department has taken the stand that no further licenses in that area would be granted for the removal of material, without the joint consent of the engineers of the Department of Public Works and of the United States War Department engineer. In asking for the acceptance of the third condition it was thought that the hands of the United States War Department engineer would be strengthened in corresponding cases in which he might be importuned to remove, or permit the removal of, material from the north channel.

The Department of Public Works agrees with the view that joint control of the removal of material for commercial purposes, on the St. Clair River, by a suitable Control Board, while not of pressing importance, would have certain obvious advantages, and the Department considers that, when the matter comes to be of more pressing importance, it may well be desirable that an agreement for such joint control should be concluded with your Government.

In view of these circumstances, I venture to suggest that your Government might reconsider the question of the acceptance of the third condition, or, at any rate, that it might be agreed that this matter should continue to be governed by the general understanding which was embodied in the exchange of correspondence in 1926 and 1927, to which reference has already been made.

Accept etc.

R. B. BENNETT

206.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 256 Ottawa, June 11, 1934

Sir,

I have the honor to refer to your note No. 33 of April 20th, 1934, relative to the conditions which the Canadian Government engineers desire to have followed with respect to the proposed dredging of certain shoal areas in the St. Clair River by the War Department at Washington. The contents of your note were brought to the attention of my Government and I am now directed to inform you that although the third condition set forth in your note No. 9 of February 2nd is still regarded as inadmissible for the reasons set forth in the enclosure to the Legation's note No. 193 of March 15, 1934, the Secretary of War perceives no objection to acceding to your last proposal, namely, that the matter be governed by the general understanding embodied in the correspondence exchanged in 1926 and 1927 between the Secretary of State at Washington and the British Ambassador, and later the Canadian Minister.

I avail etc.

PIERRE DE L. BOAL
for the Minister

207.

Le ministère de l'Intérieur au sous-secrétaire d'État aux Affaires extérieures
Department of Interior to Under-Secretary of State for External Affairs

CONFIDENTIAL Ottawa, June 22, 1934

MEMORANDUM RE FINAL REPORT OF THE INTERNATIONAL JOINT COMMISSION RE RAINY LAKE REFERENCE

The Final Report of the International Joint Commission, dated May 1, 1934, on the Rainy Lake and Upper Boundary Waters Reference which has just been submitted to the two Governments, represents the culmination to date of an international problem which was initiated by the Lake of the Woods Reference to the Commission in 1912—which Reference resulted in the securing for Canada of 5½ feet of storage on the Lake of the Woods, to the immense betterment of power conditions on the Winnipeg River below.

In order that the relationship of the present report to the general international problem in the Winnipeg River watershed may be clearly understood, it is desirable that the circumstances surrounding the initiation of the Reference should be appreciated. The following résumé is, therefore, submitted.

Résumé

The Commission's report on the Lake of the Woods Reference was completed in 1916 and was accepted by the two Governments as the basis for negotiations which were initiated in 1919 with the objective of embodying its recommendations into a Convention.

While the negotiations were under way the E. W. Backus interests, which owned and operated power and storage dams at the outlets of Rainy and Namakan Lakes, exerted pressure at Washington to have the Reference reopened to include the consideration of these existing storage facilities together with other possible reservoirs in the Rainy Lake watershed. The primary objective of the Backus interests was to have apportioned among the power interests on the Winnipeg River in Manitoba—in proportion to the respective heads used—the cost of the existing Rainy Lake and Namakan Lake Reservoirs, as well as the cost of other reservoirs which might be feasible of development.

As the result of the interjection of this issue a note was received from Washington under date of November 12, 1920, suggesting in effect that the Reference be reopened to include the acquisition and apportionment of costs of the Rainy Lake and Upper Boundary Water Reservoirs.

The United States' suggestion was wholly unacceptable to Canada in view of the fact that the Lake of the Woods Reference had been self-contained and dealt with a specific problem and had been exhaustively studied by the International Joint Commission over a period of five years; that the Commission's Report had been accepted by the two Governments as the basis for the negotiation of treaty to confirm the Commission's findings; that Canada had secured a very favourable solution to the Lake of the Woods problem and had nothing to gain but much to lose by a reopening of the Reference; and that such procedure would indefinitely delay the bringing into operation the Lake of the Woods Reservoir, which was of essential importance to the water powers of the Winnipeg River.

In view of these considerations Canada was unable to see any reason for departing from the method of procedure already agreed upon by the two Governments and so advised the United States Government through Order in Council P.C. 1031, dated March 29, 1921, transmitted to the United States Government through the customary channels.

As a result of the situation which thus developed, conferences were held in Ottawa on the 20th September and 15th November, 1922, between representatives of the Dominion Government, the United States Government, the Canadian Section of the International Joint Commission, the State of Minne-

sota, the Province of Ontario, the Province of Manitoba, the City of Winnipeg, the Town of Fort Frances, the Town of Kenora, the Shevlin-Clarke Lumber Company, the Weyerhauser Lumber Company, the E. W. Backus interests. Resulting from these conferences it was agreed that it would be to the interests of the United States and Canada to conclude the agreement with respect to the Lake of the Woods.

In order to secure this agreement and thus to consolidate the gains in the Lake of the Woods area, Canada agreed to embody in the Convention identic Letters of Reference to the International Joint Commission asking the Commission to study and report upon the Rainy Lake and Upper Boundary Waters problem.

Canada also agreed to accept the findings of the Commission in respect to this Reference.

With the signing of the Lake of the Woods Convention on February 24, 1925, the Rainy Lake Reference was automatically referred to the International Joint Commission.

Final Report on Rainy Lake Reference

It is unnecessary in this memorandum to comment upon the Final Report of the International Joint Commission on the Rainy Lake and Upper Boundary Waters Reference, other than to say that the Report completely endorses the position registered before the Commission on behalf of the Governments of the Dominion, Ontario and Manitoba, as well as those of the power interests on the Winnipeg River below, and constitutes a most satisfactory culmination to date of this involved international problem. There can, therefore, be no objection to Canada's accepting the findings of the Commission.

In accepting the findings attention is called to one which will involve negotiations with the Government of the United States. The Commission in response to Question 3 states as follows:

> The Commission, however, submits that it would be wise and in the public interest that the Commission be clothed with power to determine when unusual or extraordinary conditions exist throughout the watershed, whether by reason of high or low water, and that it be empowered to adopt such measures of control as to it may seem proper with respect to existing dams at Kettle Falls and International Falls, as well as any future dams or works, in the event of the Commission determining that such unusual or extraordinary conditions exist.

In comment on the above, it may be stated that this recommendation of the Commission is the embodiment of a recommendation submitted to the Commission during the hearings on behalf of the Government of Canada.

The realization of this recommendation of the Commission will prove very helpful to Canadian interests during such times as emergency conditions of high or low flow obtain in the watershed.

Respectfully submitted,

J. T. JOHNSTON

PARTIE 4/PART 4

FONDERIE DE TRAIL
TRAIL SMELTER

208.

Le chargé d'affaires des États-Unis au secrétaire d'État aux Affaires extérieures

United States Chargé d'Affaires to Secretary of State for External Affairs

No. 625 Ottawa, February 17, 1933

Sir,

I have the honor to refer to the serious situation in the State of Washington which has obtained because of damage caused by fumes from the smelter of the Consolidated Mining and Smelting Company at Trail, British Columbia, a few miles from the international boundary between the United States and Canada. As you are aware, fumes from this smelter carried by the wind across the international boundary did some damage in the State of Washington as early as 1918. Increased activities on the part of the smelter resulted in greater damage, and in 1923 the effect of these fumes in the State of Washington reached serious proportions. The fumes have injured vegetable growth as far as thirty or forty miles from the international boundary.

My Government considers that this situation is not only serious but anomalous. There are, of course, many smelters in the United States and Canada, but in no other instance, so far as my Government is aware, has the area adjacent to a smelter been compelled to submit without indemnification or any other remedy to continued exposure to fumes. It has been possible in ordinary cases for the injured parties by resorting to the remedies afforded by the courts to obtain that protection which the United States and Canada guarantee to their respective nationals. It is the understanding of my Government that in the case of the smelter at Trail, British Columbia, the Canadian property owners in British Columbia have been able to obtain indemnification through the medium of the Canadian courts. No such remedy is, however, available to the United States community in the State of Washington.

It will be recalled that on August 7, 1928, after a somewhat protracted correspondence, the Governments of the United States and Canada referred this question to the International Joint Commission, United States and Canada, for investigation and report. After a series of hearings the International Joint Commission rendered a report on February 28, 1931, on the question. My Government has given careful consideration to this report of the International Joint Commission. It recognizes that this report is not an

arbitral decision which must be accepted by both Governments, but it is in the nature of a group of recommendations for the consideration of the two Governments to facilitate the reaching of a settlement.

The report of the International Joint Commission expressed the view that damages in the State of Washington from fumes from the smelter at Trail would practically cease by the end of 1931. Unfortunately, that has not been the case and extensive damage has continued. It is the view of the Government of the United States that a means must be found to bring about adequate relief for this section of the State of Washington. It seems just that our people concerned should be given no less protection than that which citizens of both countries are customarily able to obtain in the proper courts, and which the people of the State of Washington could indeed obtain were it not for the fact that the smelter which causes the damage is situated in a foreign jurisdiction.

In these circumstances my Government proposes that an agreement be concluded between the United States and Canada to give effect to the principal features of that report and to provide substantially:

1. That the sum of $350,000 be paid as indemnity to cover damages which occurred prior to January 1, 1932. This sum of $350,000 shall be paid to the Government of the United States to be distributed as the Government determines.

2. That damages occurring subsequent to January 1, 1932, shall be assessed by a board or commission to be established for that purpose. Damages so assessed shall be paid to the Government of the United States and distributed by it.

3. That, in accordance with a schedule agreed upon in the agreement by the two governments, the amount of sulphur dioxide discharged by the smelter and the rate of discharge shall be progressively reduced by means of extraction works or any other device which the smelter chooses to employ until no further damage is done in United States territory.

4. That the two Governments shall establish an agency to continue investigations, to report progress on the schedule agreed upon for the progressive reduction of the amount of sulphur dioxide and to assess damages. The members of the agency established by the two Governments shall have access to the smelter and to property affected in the United States and shall be furnished with information pertaining to the operations of the smelter.

An undertaking such as is proposed above would be in substantial conformity with the report of the International Joint Commission with minor variations pertaining chiefly to the modal features of the report. My Government feels that an adjustment of the international problem presented by the operation of the smelter could best be effectuated by concluding an agreement between the Governments. An outline of the substance of such an

agreement is set forth above. That description of the proposed agreement would, of course, be subject to such amendment and elaboration as might be deemed necessary as discussion progressed.

I am instructed to inquire, if the proposal to conclude an agreement is acceptable to the Canadian Government, whether it will designate a representative to confer with a representative of the United States with a view to formulating such an agreement.

I avail etc.

PIERRE DE L. BOAL

209.

Le secrétaire d'État aux Affaires extérieures au chargé d'affaires des États-Unis

Secretary of State for External Affairs to United States Chargé d'Affaires

No. 13 Ottawa, March 1, 1933

Sir,

I have the honour to refer to your note No. 263 [625], dated the 17th February, 1933, in which you make certain proposals with regard to the Trail Smelter question.

You are doubtless aware that there is a difference of opinion between the Governments as to the commencement and extent of damage in the State of Washington, caused by fumes carried across the international boundary from the smelter of the Consolidated Mining and Smelting Company at Trail. Further, there seems to be some misunderstanding as to the remedies that have at all times been available to the injured parties under the laws of this Country. It has always been open to the residents of the State of Washington who were injured by the fumes, to take proceedings in the courts of British Columbia and to obtain redress either by way of injunction or damages. The Canadian Government, however, felt that, owing to the large number of claims involved, it was not unreasonable to concur in a reference to the International Joint Commission, in order that the claims of the injured parties might be presented in a single reference, in a manner that would insure substantial justice to all of the interested parties.

It is the view of the Canadian Government that the report of the International Joint Commission, dated the 28th February, and the recommendations contained therein, should form the basis of any settlement of this question. Accordingly, the Canadian Government is prepared to enter into any negotiations which can properly be based upon this report and will designate a representative to confer with the representative of the United

States, with a view to formulating an agreement along the general lines proposed by you. There is, however, one condition included in the report of the International Joint Commission which has apparently been overlooked in your reference to the principal features of that report. The recommendations of the International Joint Commission provided for the progressive reduction of the amount of sulphur dioxide discharged by the Smelter until no further damage should be done in United States territory. This provision was, however, qualified by a definition of "damage", and it is the view of the Canadian Government that such a definition should be incorporated in any agreement which may be formulated by the representatives of the two Governments referred to in your note. The failure to include such a definition would impose an obligation upon the Consolidated Mining and Smelting Company that would be fundamentally different from that contemplated by the report of the Commission, and that would, in all probability be incapable of fulfilment, both from the technical and practical point of view.

Accept etc.

R. B. BENNETT

210.

Le sous-secrétaire d'État aux Affaires extérieures au ministre aux États-Unis

Under-Secretary of State for External Affairs to Minister in United States

Ottawa, February 2, 1934

My dear Mr. Herridge,

With regard to the United States note[1] on the Trail Smelter, I may add that Mr. Robbins and Mr. Boal, when seeing the Prime Minister about it this morning, made it clear that the reason for haste and for taking the strong line that they have done, is that the Washington interests have persuaded Senator Borah to bring up the question in the Senate, and that a failure to settle the question may complicate other issues.

The Prime Minister agreed that it was desirable to reach a settlement as early as possible. He telegraphed Mr. Warren to ask him to come to Ottawa tomorrow morning, bringing his legal adviser with him. In the meantime, Read and I will analyse the note a little further.

[1] N° 172 du 30 janvier 1934. Cette note d'une quarantaine de pages exposait dans le détail la cause des États-Unis. Elle amena deux répliques du gouvernement canadien: les notes 13 du 17 février et 15 du 22 février 1934. Ces notes et la réponse ultérieure des États-Unis, n° 217 du 16 avril 1934, ne sont pas reproduites.

[1] No. 172 of January 30, 1934. This Note, consisting of some forty pages, presented the United States case in great detail. It elicited two replies from the Canadian Government in the form of No. 13 of February 17, 1934 and No. 15 of February 22, 1934. These notes and the further United States response, No. 217 of April 16, 1934 are not printed here.

A very hasty reading has left a feeling of some surprise at its aggressive and peremptory tone. We fully admit that it is impossible to defend continued substantial injury to United States residents, but do not think that the circumstances of the case, or even the exigencies of sectional politics, warrant the position that the United States has taken. The mode of settlement—reference to the International Joint Commission—was of their seeking, and seeing that the three United States members, who do not ordinarily take a particularly international point of view, joined with the three Canadians in a unanimous recommendation, the recommendation should not lightly be disregarded. Such an action is a black eye for the Commission and for the principles of conciliation which they are to establish and maintain.

However, a closer reading of the note may modify these hasty opinions. I shall write you further.

Yours sincerely,

O. D. SKELTON

P.S. It has, somewhat.

211.

Le conseiller à Washington au sous-secrétaire d'État aux Affaires extérieures

Counsellor in Washington to Under-Secretary of State for External Affairs

Washington, February 13, 1934

Dear Dr. Skelton,

The Trail Smelter question came up yesterday in conversation with Hickerson, and I elicited from him some information concerning the reasons for the bellicose tone of the note left by Mr. Robbins with the Prime Minister on February 2nd. Hickerson has been at the Senate a great deal this session in connection with the St. Lawrence treaty, and both Dill and Borah have thrust upon him their views on the Trail Smelter. Dill is ready to make a speech which he says will be extremely vicious and unpleasant. Borah remarked to him that if the Smelter fumes had reached Idaho he would long since have berated the State Department and the Canadian Government for their conduct of the case. Hickerson feels sure that the matter will break out in the Senate at this session in a provocative form, unless we can soon reach agreement on some mode of procedure.

He also said that in the State Department Phillips was really "hot under the collar" about the question—which probably is a consequence of conversa-

tions with Dill and Borah. The note was drafted by Metzger and Murdoch of the Legal Adviser's staff, both of whom are well known to John Read.

Whether we should be afraid of the "big, bad wolves" of the Senate is another matter. The United States is, of course, repudiating its own members of the International Joint Commission, and the prestige of the Commission is bound to suffer. It already had very little prestige in Washington and this will reduce it to the vanishing point.

Yours sincerely,

H. H. WRONG

212.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

CONFIDENTIAL Ottawa, April 10, 1934

No. 26

Sir,

I have the honour to invite further reference to your note No. 172, dated the 30th January, 1934, and to my notes Nos. 13 and 15, dated the 17th and 22nd February, respectively, all relating to the Trail Smelter question.

Substantial progress has already been made by representatives of the Department of External Affairs and the Department of State of the United States, in preparing a draft convention along the general lines suggested in your note No. 172, and in my note No. 15, referred to above. A new aspect of the problem, however, has arisen, which suggests the necessity of some further consideration before the terms of the draft convention can be settled for submission to the two Governments.

In my note No. 13, referred to above, when discussing the feasibility of the complete elimination of damage, it was pointed out that a principle should not be established in this case which would potentially involve a shutting down of existing industries of various types in industrial communities, and sterilizing further development, within a broad zone, in the Dominion of Canada and the United States of America, stretching from coast to coast along the international boundary-line. In your note No. 172, and particularly on pages 33, 34 and 35, it is contemplated that the proposed convention should provide for the establishment—after adjudication either by a neutral arbitrator or by a tribunal with a neutral chairman—of the maximum frequency, duration and concentration of sulphur dioxide visitation which might

be permitted in the State of Washington without causing injury. It was assumed, of course, that the maximum thus established would govern not only cases in which sulphur dioxide was drifting across the international boundary from Canada into the United States, but also cases in which sulphur dioxide was drifting across the international boundary-line from the United States into Canada.

In order to explore the possible effect of the establishment of such a regime in other parts of the international boundary-line, experiments have been conducted on behalf of the Canadian Government for the purpose of surveying the drifting of sulphur dioxide into settled portions of the Dominion of Canada, at other parts of the international frontier. Preliminary studies have been made of the drifting of the sulphur dioxide from the industrial area of Detroit, and it has been ascertained that substantial concentrations of sulphur dioxide are being sent across the international boundary-line from the Detroit industrial areas. So far, it has not been practicable to make investigations at other points, such as the Niagara frontier, or to complete the Detroit investigations. It has, however, been proved that the drifting of smoke from the Detroit area far exceeds the limits proposed in your note on pages 33 and 34, and that, in respect to maximum concentration at any rate, it is more serious than any of the conditions referred to on pages 12 and 13 of your note. Indeed, the maximum concentration so far established on the Canadian side of the international boundary-line opposite Detroit, exceeds the maximum concentration that has been found at any time in the Northport area by either the United States or Canadian investigators.

This condition is so serious that it suggests the necessity for further inquiries before finally determining the scope of the proposed investigation.

It would obviously be a serious matter for the industrial communities at Detroit, Buffalo and elsewhere on the international boundary-line to have established a rule which would make it impossible for them to continue their industrial activity. There may well be instances where Canadian industries, other than that conducted at the Trail Smelter, might equally be prejudiced by the establishment of such a rule.

If the further investigations, which are being conducted, establish other instances where sulphur dioxide is being emitted from industrial plants so as to drift across the international boundary-line, it may well be necessary to extend the scope of the proposed convention so as to enable the tribunal to inquire into these other instances and to establish the measures of compensation and the rules which are suitable for the regulation, in this respect, of industrial activity at all points in the vicinity of the international boundary-line.

Accept etc.

R. B. BENNETT

213.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 220 Ottawa, April 23, 1934

Sir,

I have the honor to refer to your note No. 26 of April 10, 1934, in which you suggest that it may be well to extend the scope of the proposed convention between our two governments dealing with the Trail Smelter question in order to enable the tribunal, first, to inquire into other instances where sulphur dioxide may be drifting across the international boundary, particularly from industrial communities such as Detroit and Buffalo, and, second, to establish a measure of compensation and the rules which may be suitable for the regulation in this respect of industrial activity at all points in the vicinity of the international boundary. These suggestions have been considered by my Government, which desires me to submit the following observations.

It is stated in the second paragraph of your note that a new aspect of the problem has arisen which suggests the necessity of further consideration before a draft of a convention dealing with the Trail Smelter matter can be submitted to the two Governments. It is understood that you refer to the conditions which your Government found to exist at Detroit, Buffalo and other places along the international boundary as a new aspect of the Trail Smelter problem.

My Government does not feel that conditions at Detroit, Buffalo and other places can be regarded as an aspect of the Trail Smelter Case. Correspondence between the two Governments in regard to the Trail Smelter matter began in 1927, and it has throughout been considered as a problem in itself, separate and distinct from questions arising elsewhere on the international boundary. No mention has at any time been made, prior to April 10, 1934, in the correspondence between the two Governments relating to the Trail Smelter matter of conditions at Detroit, Buffalo or elsewhere on the international boundary.

The Trail Smelter matter was investigated by the International Joint Commission, and the Commission rendered its Report in February, 1931. The questions now raised by your Government have not been so investigated. Correspondence with your Government following the Report of the Commission on the Trail Smelter Reference was opened by this Legation's note to you of February 17, 1933. Since that time there have been a number of exchanges of communications without mention therein of conditions at Detroit, Buffalo and elsewhere.

My Government does not feel that conditions at Detroit, Buffalo and other places along the international boundary can be regarded as an aspect of the

Trail Smelter problem or that those conditions can properly be injected at this time into the discussions pertaining to the Trail Smelter matter.

In the third paragraph of your note of April 10, 1934, reference is made to a statement contained in your note of February 17, 1934, to the effect that a principle should not be established in the Trail Smelter case which would potentially involve a shutting down of existing industries of various types in industrial communities in the Dominion of Canada and the United States along the international boundary.

It is not deemed necessary or desirable to establish any principles in the solution of the Trail Smelter matter. Proposals made by the Government of the United States looking to a solution of the Trail Smelter problem have not contemplated the establishment of any principles. It is the view of the Government of the United States that the Trail Smelter case should be determined according to established and recognized principles. The formula proposed in Article 4 of the draft convention referred to in your note of April 10th would admit of the application of established principles. My Government agrees that it is not desirable, and feels that it is not necessary, to establish any principles in adjusting the Trail Smelter case. It feels that the questions presented by the operation of the Smelter at Trail, in so far as interests in the United States are affected, can and should be determined by the application of existing recognized principles.

It is stated in the last sentence of the third paragraph of your note that it was assumed that the maximum frequency, duration and concentration of sulphur dioxide visitations which it was proposed should be determined by a tribunal for the State of Washington would be applicable to other cases in which sulphur dioxide was crossing the international boundary.

There was no suggestion in any of the correspondence exchanged between the two Governments prior to your note of April 10, that decisions to be made with respect to the Trail Smelter case should have application to any other case or cases which might arise along the international boundary. The Trail Smelter case should be adjudicated according to established principles applicable to that particular case. Any other case which might arise should be determined according to established principles applicable to that particular case. The Trail Smelter case has been the subject of extensive investigation by both Governments. No showing has been made which would necessitate a conclusion that the questions raised by conditions at Detroit, Buffalo or at Canadian industrial centers along the international boundary would be susceptible of determination by the application of the same principles as would control in determining the questions raised by the Trail Smelter case. There is no occasion at this time to conclude that decisions which might be made with respect to the Trail Smelter case would have application to questions which might arise at other places.

It is not understood that you suggest any definite procedure to be followed with respect to conditions at Detroit, Buffalo and other places along the international boundary. Your note of April 10 seems to contemplate that

consideration of the Trail case should be deferred until investigations are completed at Detroit, Buffalo and other places along the boundary and that the provisions in the proposed convention relating to the Trail case be extended to apply to other cases.

My Government cannot acquiesce in any suggestion that contemplates delay in settling the Trail case. As emphasized above, the Trail case is entirely separate and distinct from questions which are now raised with respect to Detroit, Buffalo and other places on the international boundary. The questions which you now raise have not attained the same status that the Trail case has attained. My Government does not consider that there is any justification for mingling the Trail case with any new questions. The adoption of any suggestion which would have the effect of delaying consideration of the Trail case could not fail to operate to the advantage of the trespassers and to the disadvantage and further injury of the victims of the wrongs. If the Canadian Government will submit proposals as to the procedure which it considers should be followed with respect to the industrial centers to which reference is made in your note of April 10, 1934, separate from the Trail Smelter case, my Government will be glad to consider those proposals. My Government exceedingly regrets that the Canadian Government considers that new cases should be associated with the Trail case and earnestly hopes that the Canadian Government can see its way to proceed expeditiously to the conclusion of an agreement calculated to settle the Trail case.

My Government suggests, in conclusion, that conditions at Detroit, Buffalo and other places along the international boundary about which your Government now expresses concern would more appropriately be referred to the International Joint Commission for investigation and report, as was done with respect to the pollution of boundary waters under date of August 1, 1912, than to a tribunal such as it has been proposed to establish to adjudicate the Trail Smelter case. To conduct such investigations is one of the purposes for which the International Joint Commission was established and is maintained.

With reference to the draft of a proposed convention which was drawn up, subject to further consideration and change, by representatives of our two Governments at Washington last month, I am desired to submit the following observations since it is felt after further consideration and in the light of developments that it would be desirable to make some changes in the proposed agreement.

A report on the condition of the atmosphere in Stevens County for the period from February 1 to February 20, 1934, has now been received. My Government regrets to note that the report of the automatic recorders at Northport, Washington, and Boundary, Washington, reveal that a very unsatisfactory condition obtained. The presence of sulphur dioxide was recorded at Northport on ninety-five percent of the days and seventy-seven percent of the hours. The maximum concentration of sulphur dioxide which

was recorded in the twenty days was .69 p.p.m. The longest visitation of sulphur dioxide continued 98.67 hours.

At Boundary, sulphur dioxide was present ninety-five percent of the days and sixty-nine percent of the hours. The highest concentration of sulphur dioxide was 1.35 p.p.m. The longest visitation of sulphur dioxide continued 44.33 hours.

The sum of $350,000 is deemed inadequate indemnification for the period up to January 1, 1932, and, in view of increasing intensity of visitations of sulphur dioxide and of the delay experienced in coming to an agreement to adjust this difficulty, my Government feels that the sum mentioned ought not to be accepted, and that the whole question of damages ought to be submitted to the proposed Tribunal for determination. It is felt, moreover, that the first question stated in Article III of the draft of the proposed agreement would not admit of adequate protection of United States interests.

Accordingly, my Government proposes that the substance of Article I be omitted from the agreement, and that the three questions included in Article III be stated as follows:

1. Is the Trail Smelter required by law to refrain from causing injury in the State of Washington in the future?

2. Same as in the proposed agreement.

3. What indemnity shall be paid for damage which occurred prior to the date this convention becomes effective and which occurs subsequent to that date?

With the changes suggested above, the proposed agreement would admit of the adjudication by an impartial tribunal on a basis of legal right of the question of abatement and the question of damage from the time injury in the State of Washington began. My Government is sure that the Canadian Government will agree that United States interests are entitled to a full and impartial adjudication on a basis of legal right of all questions arising out of the presence in the State of Washington of sulphur dioxide from the Smelter at Trail. Any arrangement which would not admit of a full and impartial adjudication would be prejudicial to injured United States interests. Such an adjudication would be eminently fair to the trespassers.

Other changes in the proposed agreement are suggested as follows:

It is desired that the word "practice" be omitted from Article IV of the proposed convention. This omission would admit of having the questions decided in accordance with law.

It is felt that the three months' period mentioned in Article II within which the non-national judge is to be selected, would require the making of a choice at an unnecessarily early date, considering the length of time which, according to Article V, would elapse before the case would be submitted to the Tribunal.

There would seem to be no occasion to agree on the non-national judge or to request the President of the Permanent Administrative Council of the

Permanent Court of Arbitration to select one until the first pleadings were exchanged which, according to Article V, would be nine months after the exchange of ratifications of the convention. It is suggested, therefore, that nine months might be substituted for three months in Article II of the draft. This period, of course, could be shortened should it for any reason be desirable to shorten the period for the first exchange of pleadings prescribed in Article V.

Depending upon the conditions obtaining when and if the proposed convention is signed, it may be desirable to provide a somewhat shorter period for making the first exchange of pleadings. This change might be desirable should the proposed convention not be signed in time to admit of its presentation to the United States Senate to obtain the advice and consent of that body to ratification in the present session of Congress.

For the convenience of the Government of the United States in apportioning any indemnity which the Tribunal awards, it is desired that a paragraph reading as follows be added to Article III of the proposed agreement:

> The indemnity which the Tribunal decides, pursuant to the third question stated in Article III, to be payable shall be paid to the Secretary of State of the United States to be deposited in the United States Treasury.

My Government is sure that the Canadian Government appreciates the necessity of finding an early solution of this matter. United States Senators and Members of Congress from the State of Washington are deeply concerned about the delay in reaching an agreement. The matter is of such character as to require immediate adjustment. It is hoped that the Canadian Government can see its way to give the matter immediate attention, and that the proposed agreement, modified as suggested above, may be signed in time to submit it to the United States Senate for the advice and consent of that body to ratification before the present session of the Congress adjourns. Unless the agreement is signed within a month, it is improbable that the consent of the Senate to ratification can be obtained before adjournment.

I avail etc.

WARREN D. ROBBINS

214.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

No. 45 Ottawa, May 10, 1934

Sir,

I have the honour to refer to your note No. 217, dated the 16th April, 1934, and also to your note No. 220, dated the 23rd April, in the same year; both concerning the Trail Smelter question. These matters are receiving the

most careful consideration of the Canadian Government and the interested departments and other Canadian interests, and it is hoped that it may be possible, shortly, to communicate to you the considered views of the Canadian Government with respect thereto.

I am confident that it will be possible to come to some agreement with regard to the scope of the proposed inquiry and the terms of the reference. In that event, there can be no doubt that an essential issue will be a question of whether damage is now being caused in the State of Washington and, in order to meet this issue, it will be necessary to place a group of Canadian investigators in the field during the coming summer. The Canadian Government hopes that you will see fit to authorize these investigators to conduct their inquiries and that you will request any persons in the State of Washington who claim to be damaged at any time during the coming season to give prompt notification of claims, in order that an investigation may be made immediately after the damage is alleged to have occurred. When these investigators have established their headquarters in or near Northport, I shall inform you as to their names and addresses, so that the persons claiming to have suffered injury may make prompt notification.

Accept etc.

R. B. BENNETT

215.

Le chargé d'affaires des États-Unis au secrétaire d'État aux Affaires extérieures

United States Chargé d'Affaires to Secretary of State for External Affairs

No. 243 Ottawa, May 25, 1934

Sir,

I have the honour to refer to your note No. 45 of May 10, 1934, concerning the Trail Smelter question. In this note you express confidence that it will be possible to come to some agreement with regard to the scope of the proposed inquiry and the terms of the reference. You state your view that in that event there could be no doubt that an essential issue would be the question of whether damage is now being caused in the State of Washington, adding that in order to meet this issue you consider that it will be necessary to place a group of Canadian investigators in the field during the coming summer. You express the hope that my Government will see fit to authorize these investigators to conduct their inquiries and will request any persons in the State of Washington who claim to be damaged at any time during the coming season to give prompt notification of claims in order that an investigation may be made immediately after the damage is alleged to have occurred.

My Government instructs me to say that while it has no objection to the investigation proposed in your note, it is without authority to give assurance that the property owners will in all cases consent to the entry of the Canadian investigators upon their property. My Government, however, has communicated with the representative of certain of the claimants in the State of Washington and understands that he is advising his clients to cooperate in the investigations.

I shall be grateful if you can inform me as soon as possible whether the Canadian investigators will proceed to Stevens County, and, as much in advance as possible, of the date of their expected arrival there. I understand from your note of May 10th that you will inform me of the names and addresses of the investigators, and I shall appreciate having these transmitted to me, if possible, before the departure of the investigators.

I shall be very grateful if you can communicate to me as soon as it may be possible to do so, the views of the Canadian government with respect to the Legation's notes No. 217 of April 16, 1934, and No. 220 of April 23, 1934, since it will be necessary to proceed urgently if the agreement which we both hope to reach is to be submitted for Senatorial consent to ratification before the adjournment of Congress.

I avail etc.

PIERRE DE L. BOAL

216.

Le Premier ministre au secrétaire d'État par intérim des États-Unis
Prime Minister to Acting Secretary of State of United States

UNOFFICIAL Ottawa, November 17, 1934

Dear Mr. Phillips,

Pending the despatch of a formal communication through the usual channels, I should like to bring to your attention, in an informal manner, certain aspects of the present state of the Trail Smelter problem, which was discussed during your recent visit to Ottawa.

At that time there were two phases of this problem which were considered, namely the question of the alleged continuance of injury in the State of Washington and the question of provision for the determination of the controversy.

You will remember the charges made by various authorities in the State of Washington, that no effective steps had been taken to check the flow of sulphur dioxide across the boundary and that widespread and serious damage is still being caused in that State. I have, accordingly, had inquiry made. This matter has been the subject of investigations by scientists under the general

direction of the National Research Council of Canada. It is clear that since the completion of the remedial works at Trail, late in the year 1931, there has been a very great improvement in atmospheric conditions in regard to sulphur dioxide, on the southern side of the international boundary-line. The following table shows the number of hours when the concentration of sulphur dioxide gas was more than one-half part per million; and likewise the number of hours when the concentration was more than one part per million, for the last six months of the year 1930; for the years 1931, 1932, 1933; and for the year 1934 to the end of September; indicating the great reduction that occurred after the year 1931, which was the year in which the remedial works were completed.

Year	Over .5 parts per million		Over 1.0 parts per million	
	Hrs.	Min.	Hrs.	Min.
1930 (July to December)	104	38	8	0
1931	128	20	10	40
1932	19	6	1	41
1933	26	50		50
1934 (January to October)	33	10	0	40

In addition to the above figures, the records show that during the growing season of 1934, namely the months of April to September inclusive, there was only a total of three hours and forty minutes when the concentrations were more than one-half of a part per million, and at no time during the growing season did the concentration exceed one part per million.

A similar reduction is indicated in the records of concentrations below one-half part per million.

Apart from these data relating to atmospheric conditions, the investigations of the Canadian scientists during the present season, namely 1934, establish that no appreciable damage to vegetation in the Northport area has been caused by sulphur dioxide from the Trail Smelter. There have, it is true, been some instances of markings on vegetation, but they have been too scattered and too infrequent to constitute appreciable injury.

In these circumstances, I am sure you will agree that there is no foundation for the statements to the effect that the Company was continuing to cause sulphur dioxide to drift across the international boundary in unabated quantities and concentrations.

The second aspect of the question is concerned with the establishment of some means for the judicial determination of the questions at issue.

At the time of your visit to Ottawa, the President of the Consolidated Mining and Smelting Company was absent from this Country, and the General Manager and Counsel were too far away to make it possible to have the matter dealt with before your departure for Washington. I did succeed, however, in placing the present position and the views of your Government before certain of the Directors, in order that it might be possible for

the matter to be dealt with at the recent meeting of the Board of Directors of the Company. Following this meeting, the President, accompanied by the General Manager and Counsel for the Company, who had been summoned for that purpose from Trail, came to see me and discussed the whole situation.

You are, of course, aware that the Company is operating under the legislative authority of the Province of British Columbia. There are constitutional difficulties that would impede interference by the Government or Parliament of Canada with the operations of a company operating under provincial statutory authority or the imposition of a monetary award. These difficulties are of the same character as those which confront every federation in attempting to deal with the external aspects of the exercise of sovereign powers by the component states. You are, of course, familiar with the difficulties which your own country has encountered in dealing with similar problems.

Accordingly, when the proposal was made by you to my predecessor in office to refer the Trail Smelter question to the International Joint Commission for report, it was considered advisable to obtain the consent of the Company in order to insure that there might be an effective report, as a result of deliberations of the Commission. The Company at that time was persuaded by the Government to forego its legal rights and to attorn to the jurisdiction of the Commission, and it gave the necessary undertakings which placed the Government of Canada in a position to give legal effect to any report that the Commission might choose to make. After the unanimous report of the Commission, notwithstanding that it was regarded both by the Company and by the Government as including an unreasonably high assessment of damages, the Company again indicated its willingness to carry out its provisions and, inter alia, to pay the sum awarded, whenever the United States Government might be willing to accept it. It is also to be noted that even before the final report of the Commission, the Company had commenced and was in the process of carrying out the remedial measures approved by the Commission, which involved an expenditure in excess of ten million dollars.

It is obvious that there are practical difficulties which would make it unjust to re-open the question of damages occurring prior to the first day of January, 1932. In a new adjudication of the issue, the Company would be prejudiced by the existence of the unanimous award of the Commission, and there would be a practical certainty that, irrespective of the evidence, the amount would not be reduced. In dealing with a fresh adjudication of the issue, the Company would be seriously hampered by the staleness of its evidence and by the death or incapacity of some of the most important witnesses. On the other hand, the lapse of time will make it increasingly difficult to check the positive assertions of damage made in the claims and will thus be disadvantageous to the Company's position.

This situation places the Canadian Government in an extremely difficult position. The question has been raised as to whether the Canadian Govern-

ment, or even the Parliament of Canada, have any legal powers whereby a settlement can be imposed upon the Company against its will. The Canadian Government, even if it had undoubted powers, would be most reluctant to impose a settlement upon the Company involving the re-opening of the question of damage prior to the date in question, because such a course would, in view of the considerations set forth above, be unjust to the Company and would be entirely unnecessary, in order to do justice to the claimants. Such a course might involve protracted litigation between the Company on the one hand, and the Government on the other, and thus delay the ultimate settlement of this problem. Under these circumstances, ratification of a treaty would not be feasible until the question of legal right had been determined by the Courts, and that would certainly postpone ratification in any case for a number of years.

In these circumstances, it becomes necessary to reconsider the relation of the Canadian Government to this question.

In my note to Mr. Robbins, No. 13, dated the 17th February, 1934, and particularly in paragraphs 5 to 13 inclusive, I discussed the nature of the position of the Canadian Government and the nature of the proceedings that had been undertaken with the view to the provision of a solution of this difficult problem which was designed to be fair to all parties concerned. This is not a dispute between the two Governments, and it does not come within any of the ordinary well-known categories of international arbitration. It is a case in which a Canadian corporation was alleged to be committing a civil wrong against United States citizens in the State of Washington, for which appropriate remedies are and were, or ought to be, available in the domestic tribunals. I have pointed out that it would have been open to the Canadian Government to disclaim international responsibility and to remit the claimants to their ordinary legal remedies, and that such a course could not have been brought into question, because it would have been in accordance with the accepted principles of international law.

On the other hand, recognizing the desirability of utilizing procedure under the existing treaties which was available as between these two countries, the Governments joined in exploring this matter, with a view to obtaining a friendly, neighbourly and fair solution of the problem.

This course having failed through no fault on the part of the Canadian Government, it becomes necessary to consider the courses that are open at the present time.

The Canadian Government is still ready to explore the possibility of a settlement by means of an international adjudication along the general lines indicated in your note of the 30th January, 1934, and particularly along the general lines of the third proposal therein contained. The Canadian Government is ready to concur in the constitution of the tribunal and in terms of reference which, with necessary revision, would promise a determination of this problem in a manner that would be just both to the claimants and to the

Company. The Canadian Government would be most reluctant to abandon the prospect of settlement of this controversy along such lines and to be forced to consider the possibility of adopting the strict legalistic attitude of remitting the injured parties to their remedies in the Courts.

I fully share your desire to see a speedy settlement of a dispute which holds possibilities of irritation and friction, and appreciate the action of the President in arranging for you to come to Ottawa for a direct discussion. I am, therefore, bringing these matters to your personal attention, rather than sending a formal communication.

In view of your President's personal interest in this matter, I should be grateful if you would bring this letter to his personal attention in order that he may understand the difficulties confronting the Canadian Government in this matter and in order that he may know that the Government is prepared to go to great lengths in order to expedite a fair and just solution of this troublesome question.

Yours faithfully,

R. B. BENNETT

217.

Le secrétaire d'État par intérim des États-Unis au Premier ministre
Acting Secretary of State of United States to Prime Minister

Washington, November 30, 1934

My dear Mr. Prime Minister,

I have received, through your Legation here, your letter of November 17, in regard to the Trail Smelter problem which we discussed during my recent visit to Ottawa.

Although there are several statements in your letter in which I cannot concur, I am sure you will agree that an extended discussion at this time of the issues raised in your communication will serve no useful purpose.

I know that you share fully our earnest desire to reach a prompt and fair settlement of this problem. The question is of vital importance to the communities which are directly concerned and is being emphasized, because of the continued delays in its solution, in such a way as to affect the general field of relations between our two countries. As I told you when I was in Ottawa, the President is keenly desirous of having an agreement reached in this matter before the opening of Congress. He feels that otherwise matters of greater importance to the two countries may be affected. I, therefore, hope that you will send your representative to Washington at the earliest possible moment with a draft agreement which will serve as a basis for discussion for an early and definitive settlement of this case.

In accordance with your request, I shall gladly place your letter before the President.

With kindest personal regards, I am etc.

Yours sincerely,

WILLIAM PHILLIPS

218.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 422 Ottawa, March 21, 1935

Sir,

I have the honor to refer to your unnumbered note of December 31, 1934, relative to the Trail Smelter question, enclosing copies of a draft convention, containing two verbal changes in Article 3, which you stated that the Canadian Government is prepared to accept.

I now have the honor to inform you that I have been authorized by my Government to sign a convention conforming to the draft transmitted with your note.

I have been directed to request that the convention be signed in duplicate, in order that the text may be deposited in Washington as well as in Ottawa.

I should appreciate being informed as soon as may be conveniently possible regarding the day upon which you will be prepared to sign the convention on behalf of the Canadian Government.

I avail etc.

WARREN D. ROBBINS

219.

Le secrétaire d'État par intérim des États-Unis au chargé d'affaires aux États-Unis
Acting Secretary of State of United States to Chargé d'Affaires in United States

Washington, November 2, 1935

Sir,

I acknowledge with thanks the receipt of your note dated November 2, 1935, transmitting two checks payable to the Secretary of State of the United States of America, one for $300,000 on the Royal Bank of Canada in New York and the other for $50,000 on the Bank of Montreal in New York.

These checks are accepted in payment of all damage which occurred in the United States, prior to the first day of January, 1932, as a result of the operation of the Trail Smelter in accordance with Article One of the Convention signed at Ottawa, April 15, 1935, relating to the complaint of the Government of the United States that fumes discharged from the smelter of the Consolidated Mining and Smelter Company at Trail have been causing damage in the State of Washington.

The prompt compliance by your Government with Article One of the Convention of April 15, 1935, is deeply appreciated by the Government of the United States.

Accept etc.

WILLIAM PHILLIPS

PARTIE 5 / PART 5

DIVERS
MISCELLANEOUS

220.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 465 Ottawa, May 26, 1932

Sir,

Under instructions of the Secretary of State of the United States of America I have the honor to invite your attention to the following matter. In connection with the routing work of the United States Army Air Corps, frequent flights by United States Army aircraft are necessary from Selfridge Field, Mount Clemens, Michigan, to Cleveland, Ohio, or Buffalo, New York. Owing to the geographical situation of Selfridge Field, a flight from that point to Cleveland or Buffalo is about one hundred miles longer via United States territory than if the pilot were permitted to fly over the peninsula of Ontario. I am therefore desired to inquire whether the Canadian Government would be willing to grant "blanket" permission for a period of one year from July 1, 1932, for United States Army aircraft to fly over Canadian territory in making flights from Selfridge Field, Mount Clemens, Michigan, to Cleveland, Ohio, or Buffalo, New York. I am requested to add that care would be exercised by pilots on flights over Canadian territory to comply with all

regulations of the Canadian Government with reference to flying, and that only such landings would be made as might be caused by unavoidable engine or mechanical failure.

I would appreciate being advised of the Canadian Government's decision in this matter for transmission to my Government.

I avail etc.

B. REATH RIGGS
for the Minister

221.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

No. 94 Ottawa, June 16, 1932

Sir,

I have the honor to refer to your note No. 465 of the 26th May, 1932, regarding a request from the Government of the United States of America to the Government of Canada to grant "blanket" permission, for a period of one year from the 1st July, 1932, for Army aircraft of the United States to fly over Canadian territory in making flights from Selfridge Field, Mount Clemens, Michigan, to Cleveland, Ohio, or to Buffalo, New York.

After consideration of the matter by the Canadian competent authorities, the conclusion has been reached that there is no objection to granting this request provided the Government of the United States be prepared to extend similar privileges for Canadian Military aircraft to fly across the State of Maine by direct route between points of departure in Quebec to destination in New Brunswick, or vice versa, and that the following suggestions, the substance of which would be equally applicable to both parties, be acceptable to the Government of the United States:

(*a*) The most direct route shall be followed unless stress of weather compels deviation;

(*b*) Aircraft shall not land outside their own territory except by special arrangement between the two Governments;

(*c*) In the case of forced landings outside their own territory, pilots shall, within as little delay as possible, report to the local police and customs authorities and notify, by telegraph, the appropriate Departments of their respective Governments;

(*d*) No photographs shall be taken while en route over foreign territory.

It is also suggested that this arrangement be terminable on notice by either Government, and renewable, by mutual agreement, for successive annual periods as desired.

Accept etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

222.

La légation des États-Unis au sous-secrétaire d'État aux Affaires extérieures

United States Legation to Under-Secretary of State for External Affairs

Ottawa, August 27, 1932

My dear Dr. Skelton,

I wish to refer to the Legation's note No. 465 of May 26, 1932, and to your note No. 94 of June 16, 1932, in reply thereto, concerning the proposal that blanket permission be extended annually for flights of United States Army aircraft passing over Canadian territory between Selfridge Field, Mount Clemens, Michigan, and Cleveland, Ohio, or Buffalo, New York, and that similar privileges be accorded Canadian military aircraft passing over the State of Maine making flights between Quebec and New Brunswick, or vice versa.

In your note you state that the Canadian Government approves this proposal conditional upon the observance of certain stipulations specified in sub-paragraphs (*a*), (*b*), (*c*) and (*d*) of your note.

It is the opinion of the Department of State that sub-paragraph (*c*) should be amended to provide that in the event of a forced landing, the pilot shall report to the local immigration authorities as well as to the authorities mentioned in your note. The amendment which the State Department proposes reads as follows:

> In case of forced landings outside their own territory, pilots shall, with as little delay as possible, report to the local police, customs and immigration authorities and notify, by telegraph, the appropriate Departments of their respective Governments.

Your proposal, with this amendment added, has been referred to the United States Government Departments concerned and to the Government of the State of Maine. Replies have been received stating in each case that no objections were perceived to the proposed procedure.

Your suggestion that the arrangement be terminable upon notice by either Government, and renewable by mutual agreement for successive annual periods, is acceptable to the United States Government.

Should the amendment referred to above be acceptable to the Canadian Government, the Legation has been authorized to make the agreement effective immediately through an exchange of notes. I am therefore enclosing for your consideration the draft of a note[1] which the Legation proposes to address to your Government, and I should appreciate being informed whether this draft meets with your approval.[2]

Very sincerely yours,
PIERRE DE L. BOAL

223.

Le ministre aux États-Unis au secrétaire d'État des États-Unis
Minister in United States to Secretary of State of United States

No. 40 [Washington,] March 13, 1933

Sir,

I have the honour to refer to your predecessor's note dated February 28th, 1933, in which Mr. Stimson informed me that recently several persons charged in the United States with using the mails to defraud had fled to foreign jurisdictions, and enquired, first, whether this offence was defined and penalized in the laws of Canada, and, secondly, whether the Government of Canada would be disposed to agree to a Convention with the United States, providing for the addition of this offence to the list of offences now made extraditable as between Canada and the United States.

In reply to the first enquiry, I have the honour to state that Section 209 of the Criminal Code of Canada reads in full as follows:

> Every one is guilty of an indictable offence and liable to two years' imprisonment who posts for transmission or delivery by or through the post,
>
> (*a*) any obscene or immoral book, pamphlet, newspaper, picture, print, engraving, lithograph, photograph or any publication, matter or thing of an indecent, immoral, or scurrilous character; or
>
> (*b*) any letter upon the outside or envelope of which, or any post-card or post band or wrapper upon which, there are words, devices, matters or things of the character aforesaid; or
>
> (*c*) any letter or circular concerning schemes devised or intended to deceive or defraud the public, or for the purpose of obtaining money under false pretences.

Subsection (*c*), as quoted above, defines and penalizes the offence of using the mails to defraud. It is the opinion, however, of the appropriate authorities

[1] Non reproduit.
[2] L'échange de notes eut lieu le 15 septembre 1932 et l'accord fut renouvelé en 1933 et 1934.

[1] Not printed.
[2] Notes were exchanged on September 15, 1932, and the agreement was renewed in 1933 and 1934.

in Canada that this offence would have to be added to the list of extraditable offences in order to obtain in Canada the commitment for surrender of a fugitive from the justice of the United States charged with this offence.

In reply to the second enquiry, I have been instructed by the Secretary of State for External Affairs of Canada to inform you that His Majesty's Government in Canada would be disposed to agree to the negotiation of a Convention with the United States providing for the addition to the list of offences now made extraditable as between Canada and the United States of the offence of using the mails to defraud. It is believed, however, that this opportunity should be employed to undertake a general revision and consolidation of the Extradition Conventions at present in force between Canada and the United States. Apart from all other considerations, the convenience of including all the arrangements within one document would seem to justify the adoption of such a course.

I shall be glad if you will be good enough to inform me whether this suggestion meets with the approval of the Government of the United States.

I have etc.

W. D. HERRIDGE

224.

Le secrétaire d'État des États-Unis au ministre aux États-Unis
Secretary of State of United States to Minister in United States

[Washington,] March 23, 1933

Sir,

I have the honor to acknowledge the receipt of your note No. [40] of March 13, 1933, wherein, relating to inquiries made in the Department's note of February 28, 1933, you indicate that the offense of using the mails to defraud is defined and penalized in the laws of your country and that your Government would be disposed to agree to the negotiation of a convention with the United States providing for the addition to the list of offenses now made extraditable as between the two countries of the offense mentioned. You add the suggestion that the present opportunity be employed to undertake a general revision and consolidation of the extradition conventions at present in force between the United States and Canada and point out that aside from all other considerations, the convenience of including all of the arrangements within one document would seem to justify the adoption of such a course.

I am glad to inform you that your suggestion meets with the entire approval of the Government of the United States and accordingly I am enclosing a draft of a convention[1] for the purpose indicated with the request that you

[1] Non reproduit. [1] Not printed.

will submit it to your Government as the basis for negotiations for the conclusion of a comprehensive extradition convention to take the place of existing arrangements.

Accept etc.

WILLIAM PHILLIPS
for the Secretary of State

225.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 42 London, April 7, 1933

Prime Minister has received an invitation from the President of the United States of America to visit Washington to discuss preparations for World Economic Conference and the need for making further progress towards practical disarmament. Prime Minister has replied cordially accepting invitation and stating that he proposes to leave England by the *Berengaria* 15th April and to return by the same ship.[1]

226.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, April 8, 1933

MOST IMMEDIATE. The President, through the Under-Secretary of State, has today given verbal invitation for you to visit Washington and stay at the White House. Mr. Phillips said the following countries were being asked to send special representatives: Great Britain, France, Italy, Germany, Japan, China, Argentine, Brazil, Chile, Mexico and Canada. The present intention was not to extend this list. Only Great Britain has accepted as yet.

Purpose of visit would be discussion of fundamental problems before International Economic Conference, in effort to secure some general understanding in advance of its convocation (which was expected by the 15th June) and to educate public opinion. Mr. MacDonald was being invited primarily as Chairman of Economic Conference. Separate discussions were desired with each country invited, and a preliminary multi-lateral discussion was not contemplated.

[1] Voir les documents 253, 259-263. [1] See Documents 253, 259-263.

As to the date of visit to the United States, preparations would not be completed in advance of arrival of the Prime Minister of Great Britain on the 21st April, but any mutually convenient later date would be satisfactory to the President.

Mr. Phillips was urged in announcing invitation to press to intimate that this was confirmation of invitation previously extended to you by the President on several occasions. He was afraid of causing some annoyance to the Mexican Government, which was also invited today, but undertook to give matter careful consideration. Please instruct concerning reply as soon as possible.

227.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 380 Washington, April 10, 1933

Sir,

I have the honour to refer to my telegram of April 8th, transmitting to you President Roosevelt's invitation to visit Washington in the near future. The Secretary of State on Saturday afternoon discussed with representatives of the press more fully than before the purpose of the projected conferences in Washington with representatives of the eleven countries which have been invited to participate. There is no doubt that Mr. Cordell Hull is sincerely convinced of the necessity for united international action to pave the way to world recovery. He also recognizes that the post-war policy of the United States has contributed greatly to the development of economic nationalization all over the world, and that a grave responsibility rests on the present Administration to work for the reversal of the current. He realizes that the Government of the United States, if it has the will and power to act, can accomplish more than any other Government. It is not apparent, however, how far these generalities have been developed into a plan of action. The pending Farm Relief Bill, with its effort to raise domestic prices above the world level and to support them by further tariff barriers, leads one to wonder whether a synthesis of policies has been achieved in the highest quarters of the Government.

2. The openly expressed motives of the Administration in seeking these separate discussions with representatives of the leading trading nations of the world are concerned with preparations for the International Economic

Conference. Mr. Hull's phrase is that they are designed "to prepare for the success of the Economic Conference rather than to negotiate on details which should be left to the Conference". He hopes that after these conversations "the viewpoints of enlightened nations" will "converge so that all can enter the Economic Conference with rather definite ideas in common". A special preparatory committee is now at work, which is developing a statement of the policy of the United States on the matters dealt with in the Draft Annotated Agenda submitted by the preparatory committee of experts. Mr. Phillips informed me on Saturday that this committee was expected to present a report by the time of Mr. MacDonald's arrival on April 21st. Clearly little in the way of definite agreements can be achieved in the course of a succession of brief conversations with a series of visitors from abroad. All that can be reasonably expected is that the course of the Conference may in some measure be charted in advance, so that the shoals and reefs may be better known, and the task of the pilots made less hazardous.

3. Another purpose of these discussions which is present in the minds of the Administration is to focus public interest and public expectancy on the proceedings of the Economic Conference. The State Department takes the view that unless public expectations are raised, the Conference is likely to become a series of separate expert discussions followed by barren results. They hope so to concentrate public interest as to make it difficult for the Conference to resolve itself into a turning-over of the arid soil of old controversies. They hope to make its success a political matter of high importance in every country.

4. Mr. MacDonald will be the first of the visitors, and he will be in Washington for rather less than four days. It is probable that M. Herriot will shortly follow as a special envoy of France. Press despatches indicate that Italy and Germany may be content to conduct the discussions by means of their Ambassadors; Herr Luther will arrive within a few days as the newly appointed Ambassador of the Hitler régime, and Signor Rosso has been in Washington for less than three months as Italian envoy. No indication has yet been given as to whether the countries of South America and the Far East which have been invited will send special representatives to Washington. Since the Economic Conference is expected here to meet in London by June 15th, all the conversations will presumably have to take place within three or four weeks after Mr. MacDonald's arrival.

5. These discussions and proposals have caused the problem of the war debts to drop almost out of sight for the moment. I have little doubt that they have been designed by the Administration in part with this undisclosed object in view. The hope is that interest in the Economic Conference will be aroused to such a pitch that a request for a moratorium on war debts during the rest of this year may be accepted as an essential element in the prepara-

tions for it. No one expects that a moratorium can be approved in Congress—even in the present state of congressional acquiescence in the President's wishes—without fierce controversy.

6. As to the particular subjects of discussion, should you accept the President's invitation to come to Washington, at present I can say little beyond referring to the agenda of the Economic Conference. Three questions in particular are likely to be brought forward: the prospects of a reciprocal trade agreement between United States and Canada; the possibilities of restricting the production of wheat; and the means which might be adopted to increase the price of silver. I hope shortly to be able to supplement this information.

I have etc.

W. D. HERRIDGE

228.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

DESPATCH 133 Ottawa, April 15, 1933

Sir,

I have the honour to refer to your despatch No. 312, dated the 25th March, 1933, in which you enclose a copy of the note from the Department of State, dated the 23rd March, accepting the suggestion for a general revision [and] consolidation of the existing Extradition Convention, and submitting a draft for the basis of negotiations.

The whole question has been considered with the appropriate departments of the Canadian Government, and there are certain suggestions which have been set forth in a memorandum, a copy of which is transmitted for your consideration.[1] These suggestions might be considered as a basis for discussion with a representative of the State Department, in order to ascertain to what extent they could be incorporated in the draft. In that manner a revised draft would be formulated and transmitted to me for further consideration by the Canadian Government.

His Majesty has been humbly moved to issue a full power to you, in order that you may negotiate and sign an Extradition Treaty, and doubtless the necessary Instrument will arrive in due course.

I have etc.

[R. B. BENNETT]

[1] Non reproduite. [1] Not printed.

229.

Communiqué conjoint à la presse par le Président et le Premier ministre
Joint Statement for the Press by President and Prime Minister

[Washington,] April 29, 1933

Our conversations have been eminently satisfactory in establishing a common ground of approach to the principal problems of the World Monetary and Economic Conference. We are agreed that our primary need is to insure an increase in the general level of commodity prices. To this end simultaneous action must be taken both in the economic and in the monetary fields. Economic and monetary policies must be adjusted to permit a freer international exchange of commodities.

It is recognized that as soon as practicable an international monetary standard must be restored, with arrangements that will insure a more satisfactory operation of international monetary relationships. We have examined a series of proposals for the more effective employment of silver.

No one of these problems can be profitably dealt with in isolation from the others, nor can any single country accomplish a satisfactory solution. We therefore recognize the vital importance to mankind of the World Economic Conference, and the necessity of reaching, in the weeks which remain before it is convened, as great a measure of mutual understanding as possible.

We have also discussed the problems peculiar to the United States and Canada. We have agreed to begin a search for means to increase the exchange of commodities between our two countries, and thereby promote not only economic betterment on the North American continent, but also the general improvement of world conditions.

230.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 544 Washington, May 25, 1933

Sir,

I have the honour to refer to your despatch No. 133 of April 15th concerning the proposed new Extradition Treaty with the United States. The changes in the draft submitted by the United States, which were suggested in the enclosure to your despatch, have been discussed with the Department of State, and most of them have been accepted without question. I enclose in duplicate the United States draft[1] showing the amendments agreed upon, together with an explanatory memorandum[1] regarding certain points raised in the course of the discussions here.

[1] Non reproduits. [1] Not printed.

2. If you consider it advisable to proceed to the signature of the new treaty immediately, I should be glad to receive your further instructions as soon as possible.

I have etc.

H. H. WRONG
for the Minister

231.

Le sous-secrétaire d'État aux Affaires extérieures au sous-ministre de la Défense nationale

Under-Secretary of State for External Affairs to Deputy Minister of National Defence

Ottawa, September 21, 1933

Dear Sir,

I have received a request by telephone from the United States Legation for permission for three one hundred foot coast guard patrol boats, *Eagle, Patriot,* and *Petrel* to proceed by way of the St. Lawrence route to the Great Lakes for permanent coast guard duty there; the *Eagle* for duty in Lake Ontario, and the *Patriot* and *Petrel* for duty in Lake Erie. These boats left Boston on 19th September.

I should be grateful if you would inform me whether the desired permission may be granted. The request for permission is also being communicated to the Department of Railways and Canals.

Yours sincerely,

O. D. SKELTON

232.

Le sous-ministre de la Défense nationale au sous-secrétaire d'État aux Affaires extérieures

Deputy Minister of National Defence to Under-Secretary of State for External Affairs

Ottawa, September 23, 1933

Sir,

With reference to your letter of 21st September, 1933, regarding the passage of the United States Coast Guard Patrol Boats *Eagle, Patriot* and *Petrel* to the Great Lakes by way of the St. Lawrence, this department has no objection to raise.

2. It is observed that on several occasions lately the permission for similar matters has been requested by the United States Legation *after* the vessels have commenced the voyage concerned.

3. This is perhaps a convenient opportunity to bring to your notice a few remarks on the existing position under the Rush-Bagot Treaty. As you are aware, some negotiations for the revision of this Treaty were made in 1922-1924, but no conclusion was reached and the matter was allowed to drop, probably as one which was not urgent and which might lead in undesirable directions.

4. There is no doubt that the Rush-Bagot agreement is out of date and is not being observed by the United States. According to information in this department there are the following armed vessels on the Great Lakes at the present time; not including the three referred to above:

Naval Vessels

(*a*) 8 submarine chasers, each armed with one 3″ and one or two machine guns;

(*b*) 5 other vessels ranging from 2600 tons and 4 4-inch guns, to 375 tons and one 3-pdr.

The normal duty of these latter 5 vessels is for training of reservists.

Coastguard vessels

(*c*) 8 Diesel Patrol Boats of 210 tons, each armed with one 3-inch gun.

(*d*) 28 other craft of various sorts armed with one-pounder and machine guns.

5. The situation with regard to smuggling on the Great Lakes under modern conditions is obviously such that a considerable number of Preventive Vessels is required and it would be against all reason and common sense to invite the United States to reduce them to the Rush-Bagot Treaty level. Consequently, if negotiations for revision were reopened Canada might be in a position of having to make considerable concessions in any revised agreement without gaining any corresponding advantages.

I am etc.

L. R. LaFLÈCHE

233.

Le sous-secrétaire d'État aux Affaires extérieures au sous-ministre de la Défense nationale

Under-Secretary of State for External Affairs to Deputy Minister of National Defence

Ottawa, November 18, 1933

Sir,

With reference to your letter of September 23rd regarding the passage of the United States Coast Guard Patrol Boats *Eagle, Patriot* and *Petrel,* and to certain points arising out of this passage, I regret that, owing to an inadvertence, this communication has not already been answered. I agree

that the Rush-Bagot Treaty is undoubtedly out of date and the situation arising out of it is in some respects anomalous. At the same time, I feel that if negotiations for its revision were reopened by Canada at this time more problems might be raised than would be solved; therefore I feel, personally, that it would be desirable to leave the matter as it is for the present.

I have etc.

O. D. SKELTON

234.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 132 Washington, February 5, 1934

Sir,

With reference to the Legation's Despatch No. 544 of May 25, 1933, I have the honour to enclose a copy of a note dated February 3rd,[1] from the Department of State, enquiring when the discussion of the proposed new extradition treaty between Canada and the United States will be resumed. I shall be glad to be informed of the reply to be made to this communication.

I have etc.

W. D. HERRIDGE

235.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 271 Washington, February 26, 1935

Sir,

In continuation of my Despatch No. 238 of February 19th, 1935, concerning a bill relating to the construction of a highway to connect Alaska with the United States, I have the honour to report that this measure was passed by the Senate of the United States on February 25th after a very brief discussion. Its passage by the House of Representatives at this session is probable. I enclose an extract from the Congressional Record containing the report of the Senate proceedings on the bill.

I have etc.

H. H. WRONG
for the Minister

[1] Non reproduite. [1] Not printed.

236.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 515 Washington, April 29, 1935

Sir,

I have the honour to transmit herewith copies of a volume of hearings before the Military Affairs Committee of the House of Representatives on the subject of air defence bases. Extracts from this volume bearing upon the position of Canada in the event that the United States is involved in warfare have been published widely in the press of yesterday and today. I also enclose copies of a bill (H.R. 7022) which was reported by the Committee following these hearings, and of the Committee's report on the bill.

2. The evidence which has attracted most public attention is that offered by General Kilbourne, Assistant Chief of Staff, and by General Andrews, Head of the General Headquarters Air Force. General Kilbourne's evidence appears on pages 11-23; the passage in which he advocates the establishment of an air base close to the Great Lakes is on pages 16-17. The evidence of General Andrews is on pages 60-64. In a passage on page 60 he mentions a possibility that the United States might have to seize British and French possessions along the Atlantic Coast and in the Caribbean Sea "to prevent their development by the enemy as bases of operation against us"; he also discusses the prospects of aerial offence and defence in case of warfare with Canada. A number of other Staff Officers also appeared before the Committee, as did General William Mitchell, former Chief of the Army Air Corps. Nearly all the evidence of this type was presented to the Committee in secret session. Several members of Congress also testified, their main purpose apparently being to attempt to secure the location of new air bases in their States.

3. I have not yet had time to study this volume closely, but it is clear that, in addition to the provocative references to Canada, it contains a considerable amount of information of substantial interest in relation to the air strategy of the United States Army. In particular a great deal of attention is devoted to the question of the air defence of Alaska.

4. The Under Secretary of State this morning mentioned to me the ill-advised publication of the evidence of the Army Officers, and declared that he was extremely angry that this had taken place. Mr. Phillips added that all the testimony offered by them was intended to be secret, and that, in any case, it represented only the views of the individual officers concerned and not those of the United States Government. I think it possible that the Secretary of State may issue a statement on the matter today or tomorrow.

5. The enclosures have been secured from the House Committee on Military Affairs. I have informally requested the State Department, as a harmless method of indicating the interest of the Government of Canada, to furnish me with copies of these and any other documents which may have been made public on the matter.

I have etc.

H. H. WRONG
for the Minister

237.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 528 Washington, May 2, 1935

Sir,

In continuation of my despatch No. 515 of April 29th, 1935, I have the honour to enclose copies of correspondence made public on April 30th at the White House, concerning testimony offered before the Military Affairs Committee of the House of Representatives with regard to the air defences of the United States. The letter of chief interest is that of President Roosevelt to Congressman McSwain, Chairman of the Military Affairs Committee, which was doubtless printed in full in yesterday's Canadian newspapers. There is also a letter from the Secretary of War to the President, emphasizing that the officers concerned were expressing individual opinions which had not been submitted to either the Chief of Staff or the Secretary of War. The publication of this correspondence should end discussion of an incident which has been given an importance in the press far greater than it deserved.

2. The President's letter to Mr. McSwain has been prominently printed or summarized in all the United States newspapers which I have examined. I am enclosing a collection of representative clippings from a number of newspapers. The text of Mr. McSwain's reply to the President appears in the last of these clippings, taken from today's New York Times. Editorial comment has strongly condemned the views advanced by Generals Andrews and Kilbourne, although the latter's evidence, except for one unfortunate sentence referring to a camouflaged provision in the bill, does not appear to me to be open to objection from the Canadian point of view. General Andrews' statements were more provocative. Japan, however, seems to be

the country which has been given most reason for taking offence, because both of some passages in the testimony of several officers and of the extraordinary accusations of espionage made by Congressman Dockweiler of Los Angeles.

3. Several of the press reports refer to enquiries made by this Legation, and as some of them are inaccurate, I should perhaps place on record exactly what transpired. On the morning of April 29th, following the receipt of an enquiry from Ottawa by telephone, I telephoned the Department of State asking to be informed in what public document or documents the statements reported in the press had appeared, and requesting that copies might be furnished. Later in the morning I met the Under Secretary of State at a ceremony held, by a comical coincidence, to celebrate the 118th Anniversary of the signing of the Rush-Bagot Agreement. I then suggested to Mr. Phillips that an official statement would be appropriate, in view of the emphasis given to the incident by Canadian newspapers. Apparently the State Department later in the day told the press in response to enquiries that a request for information had been received from the Canadian Legation, and the Hearst papers that evening magnified this into a report that the Canadian Government had formally requested copies of secret information on the files of the War Department. I was able to arrange that this mischievous invention should be immediately contradicted by the Department of State. On the same day Mr. Hickerson sent me a personal letter, reading in full as follows: "I am enclosing two copies of the report from the Committee on Military Affairs of the House of Representatives, which contains the statements to which you have referred." The document mentioned was forwarded with my previous despatch.

4. I gather that Mr. Phillips, who was greatly aroused by the incident, brought the matter to the President's personal attention that afternoon. The President is said to have been much annoyed, and he at once dictated and despatched his letter to Mr. McSwain. The language of this letter is Mr. Roosevelt's own, and it was not seen by the State Department until after its despatch. Some phrases in it betray lack of consideration. It is going too far to say that the Government of the United States "does not in any of its plans or policies envisage the possibility of a change in the friendly relationship between the United States and any foreign country". If such possibilities are not "envisaged" why the need for an army and navy? The final sentence is also obscure in its reference to "our treaties relating to the permanent disarmament of our three thousand miles of common boundary." So far as I am aware, the Rush Bagot Agreement is the only document of this description, and Mr. McSwain seems to state the situation correctly in his reply.

I have etc.

H. H. WRONG
for the Minister

[PIÈCE JOINTE/ENCLOSURE]

Communiqué à la presse
Press Release

IMMEDIATE RELEASE April 30, 1935

The White House, Washington, April 29, 1935

My dear Mr. Secretary,

My attention has been called to "Hearings before Committee on Military Affairs, House of Representatives, on H.R. 6621 and H.R. 4130." It is a matter of regret to me that I have been compelled to send a letter to Chairman McSwain of the Military Affairs Committee, copy of which I enclose.

Very sincerely,
FRANKLIN D. ROOSEVELT

Hon. George H. Dern,
Secretary of War,
Washington, D.C.

The White House, Washington, April 29, 1935

My dear Mr. Chairman,

My attention as been called to "Hearings before Committee on Military Affairs, House of Representatives, on H.R. 6621 and H.R. 4130." This public document includes apparently a full report of an executive session of the Committee of which you are Chairman.

It is necessary for me most respectfully to call to your attention and that of your Committee the fact that if the testimony in executive session is printed in public documents in the same way as testimony in open session, I shall find it necessary as Commander in Chief of the Army and Navy to require that in the future such testimony be given only after approval by me.

Referring to page 16 of this printed document, I desire to inform your Committee that certain portions of the testimony of General Kilbourne, especially those relating to the Canadian border do not represent either the policy of this Administration or that of the Commander in Chief.

In the statement of General F. M. Andrews, many portions of said statement, especially those relating to the territory of friendly nations, in Canada, in the Atlantic and in the West Indies, do not represent the policy of the Administration or of the Commander in Chief.

I can go further and state that they do not reflect the views, purposes or motives of the United States Government. This Government does not in any of its plans or policies envisage the possibility of a change in the friendly relationship between the United States and any foreign country.

I call your special attention to the fact that this Government not only accepts as an accomplished fact the permanent peace conditions cemented by many generations of friendship between the Canadian and American people, but expects to live up to not only the letter but the spirit of our treaties relating to the permanent disarmament of our three thousand miles of common boundary.

Very sincerely,
FRANKLIN D. ROOSEVELT

Hon. John J. McSwain,
Chairman, Military Affairs Committee,
House of Representatives,
Washington, D.C.

[Washington,] April 30, 1935

Dear Mr. President,

I am in entire accord with the letter dispatched by you on April 29th to the Chairman of the House Military Affairs Committee. In all fairness to the officers concerned, it was their understanding that the testimony was entirely secret and was not to be made public under any circumstances. I am sure they would not have expressed themselves so freely had they not had such an assurance of the situation. It is needless to say that their views on the points you mention were individual and had not been submitted to either the Chief of Staff or the Secretary of War. Their opinions thereon can be regarded only as personal ones. I was myself considering taking similar action to the one so ably presented in your letter to the Chairman of the Military Affairs Committee, and I, therefore, cannot tell you how grateful I am that you anticipated me in this respect.

Very respectfully,
GEO. H. DERN
Secretary of War

The President
The White House

238.

Le ministre aux États-Unis au sous-secrétaire d'État aux Affaires extérieures
Minister in United States to Under-Secretary of State for External Affairs

Washington, May 27, 1935

Dear Dr. Skelton,

I had a call this morning from Mr. A. J. Dimond, Delegate from Alaska, and Dr. E. H. Gruening, Director of the Division of Territories and Island Possessions of the Department of the Interior, regarding the proposed highway to Alaska.

These gentlemen have not been in touch with any Canadian authorities, with the exception of Mr. Pattullo, who I gather approved the project, but regretfully declined to participate in the cost of construction.

I am told by these gentlemen that the local demand for such a road is great. On general principles, I think it would be a good thing, both as a permanent highway link and as a present employment measure; but whether the Dominion Government would care to cooperate in any way is a matter which it will have to decide. My visitors tell me that there should be little difficulty in raising money in the United States for this project. One idea they have is that it might be a toll proposition. Another is that the money might be lent by public sources here, to be repaid over a period of time.

The proposal has undoubted merit. A glance at the enclosed Commission's Report will show that the conception and proposed execution are both rather fine. As these gentlemen have the matter very much upon their minds and will doubtless be after me again in the near future, perhaps it may be possible to get at least some interim judgment upon what we may be prepared to do.

Yours sincerely,

W. D. HERRIDGE

239.

Le chargé d'affaires des États-Unis au secrétaire d'État aux Affaires extérieures

United States Chargé d'Affaires to Secretary of State for External Affairs

No. 493 Ottawa, June 12, 1935

Sir,

I have the honor to inform you that I have been authorized by my Government to extend for a period of one year, beginning July 1, 1935, the agreement concluded by our two Governments in September, 1932, whereby permission was granted under certain conditions for military aircraft of either country to fly over specified portions of the territory of the other.

With reference to the question of the renewal of this agreement, I have the honor to inform you that the War Department of the United States has requested that this agreement be extended, if possible, to include flights of military aircraft of the United States from Selfridge Field, Michigan, to the Municipal Airport at Toledo, Ohio, and return. Such flights, when starting

from Selfridge Field, would enter Canadian territory at the eastern limits of Windsor, Ontario, and would leave Canadian territory near the western limits of Amherstburg, Ontario.

I should therefore appreciate being informed whether the Canadian Government will be disposed to agree to the extension of this agreement on the same terms and in the same manner as in former years and including the flights above referred to for the period specified and, if so, whether this note will be considered by the Canadian Government as sufficient confirmation of the extension of the agreement by the Government of the United States.

I avail etc.

PIERRE DE L. BOAL

240.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 701 [Washington,] June 14, 1935

Sir,

I have the honour to state that I have been informed by the British Embassy that an Order-in-Council is being issued today in London, proclaiming, as from June 24th, 1935, the Extradition Treaty between Great Britain and the United States which was signed in London on December 22nd, 1931. This Treaty was proclaimed by the President of the United States on August 9th, 1932.

2. In order to avoid possible confusion, I think it desirable that I should draw the attention of Superintending Consular Officers in the United States to the fact that Canada has not acceded to the new Treaty, and that therefore for the present extradition between the United States and Canada will continue to be governed by the Treaty of 1842, and the Conventions supplementary thereto. Otherwise, there might be some risk that proceedings for extradition to Canada might be instituted under the new British Treaty and might be invalidated on this ground. In addition, it might be desirable for the Department of Justice to inform the Attorneys-General of the Provinces in this sense.

3. Before addressing a circular despatch to Superintending Consular Officers, I should be glad to learn whether you approve this course, in view of the possibility of the signature at an early date of an Extradition Treaty between Canada and the United States.

I have etc.

W. D. HERRIDGE

241.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 793 Washington, July 9, 1935

Sir,

In continuation of my despatch No. 271 of February 26th, 1935, I have the honour to report that the bill (S. 1374) concerning the construction of a highway to connect Alaska and the United States was reported to the House of Representatives on July 5th by the Committee on Roads. The Committee recommends that the two last sections of the measure which passed the Senate should be struck out; these sections authorize the appropriation of $100,000 for the expense of negotiations with Canada, and of surveys, plans, etc., and also the appropriation of $2,000,000 for the construction of a road to connect Dawson with the existing road system in Alaska. The President and the Secretary of the Interior suggested the removal of these sections as being unnecessary. The bill thus amended is merely a direction to the President to negotiate an agreement with Canada for the survey, location, and construction of the highway, and an authorization for the establishment of a suitable agency to carry on the project after the conclusion of the international negotiations. It is probable that it will be adopted during this session of Congress.

I have etc.

W. D. HERRIDGE

242.

Le sous-secrétaire d'État aux Affaires extérieures au sous-ministre de la Défense nationale

Under-Secretary of State for External Affairs to Deputy Minister of National Defence

Ottawa, August 16, 1935

Dear Sir,

With respect to your letter of July 11th conveying the opinion of your Department that it is inadvisable to accept the extension of the existing agreement between Canada and the United States granting blanket permission for military aircraft of either government to fly over specified portions of the territory of the other, with the new concessions now sought by the United States, I would request that the matter be given further consideration.

The United States Legation in Ottawa have admitted to us, in informal conversations, that in all likelihood the reason why it is desired to secure permission for United States aircraft flying from Selfridge Field to Toledo

to pass over Canadian territory, is to remove the great inconvenience and possible danger to such aircraft of flight over a highly industrialized area such as Detroit and suburbs. They feel that it is reasonable to ask for such a concession in view of the fact that under the agreement Canadian aircraft may fly from *any* point in Quebec across American territory to *any* point in New Brunswick. We pointed out informally that though this concession may appear to be an important one in theory, Canada had found it to be of very little value in practice, whereas the United States had found the agreement most advantageous. The reply made to this was that, though the agreement might not be of much practical importance to Canada now, in the future it would probably become so as air services developed in this country. Furthermore it was argued by the United States Legation officials that very little, if any, inconvenience would be caused to Canadian citizens if the desired request was granted, as the route between Selfridge Field and Toledo was only used on occasions by service aircraft and would not entail any considerable amount of flying over Canadian territory. They seem to think that very little annoyance could possibly be caused by forced landings and noise.

I realize, of course, that if we make this concession to the United States we are granting them a very real favour and are asking for nothing in return. In view, however, of the general situation I feel that it might be unwise to meet their request with a categorical refusal. It would be satisfactory if we could ask for some reasonable concession in return, a point which might be considered by the competent authorities of your Department. If this proves impractical, however, I would appreciate it if you could give further consideration to the question of meeting the United States request in this matter. On the whole I feel that if they press it, and I am under the impression that they will desire so to do, it would not be wise for us to refuse it at this time. In saying this I am fully aware of the increasing encroachments by American aircraft on the air space over Canadian territory, and that this is something that we shall have to watch carefully.

I should be glad to have your opinion on this matter as soon as possible.

Yours sincerely,

O. D. SKELTON

243.

Le chef d'État-major au sous-secrétaire d'État aux Affaires extérieures
Chief of General Staff to Under-Secretary of State for External Affairs

CONFIDENTIAL Ottawa, August 24, 1935

Dear Dr. Skelton,

I am of the opinion that the pros and cons, especially the latter, concerning the project to build a highway from U.S.A. to Alaska via British

Columbia are not sufficiently realized by people in this country. The superficial attractions are the subject of considerable propaganda. (I attach some recent press reports). The deeper and more dangerous implications are not widely discussed.

I have had this short memorandum[1] prepared in order to give a brief outline of the situation as I see it. The question of the maintenance of our neutrality in the event of war between the U.S.A. and Japan—a not unlikely occurrence within the next few years—is a very vital one. And this not only to ourselves, but to the balance of the Empire, which might become involved, through our inability, at the time, to maintain a neutral position. The building of a north and south highway through B.C. provides a strong military inducement to the U.S.A. to ignore our neutral rights on the crisis arising. This is a danger which, I believe, we should avoid.

Yours sincerely,

E. C. ASHTON

244.

Le sous-secrétaire d'État aux Affaires extérieures au chef d'État-major
Under-Secretary of State for External Affairs to Chief of General Staff

Ottawa, September 6, 1935

CONFIDENTIAL

Dear General Ashton,

I have your letter of August 24th concerning the project for a highway from the U.S.A. to Alaska via British Columbia and the Yukon Territory.

We have not yet been advised whether the Bill pending before Congress became law during the recent session. If it did not we are not likely to be approached by the United States Government.

If, however, our cooperation should be invited I assume the first questions for exploration by Canada would be economic. That is the plane upon which, so far, the project has been broached and studied officially on both sides of the line. It has been urged that it would open up undeveloped resources; that it would promote tourist traffic, and that in general it would improve communications both internally and internationally. The late Tolmie Government in British Columbia supported it, and, in recent years, by consent of their Governments, Provincial and Dominion officials cooperated informally with a Commission appointed by Washington to study the project.

Several practical questions will arise. Can the construction of the British Columbia section – either by the Province alone or by the Province with Federal aid – and of the Yukon section by the Dominion – be justified econo-

[1] Non reproduit. [1] Not printed.

mically? Can such a North-South project be given priority or even equality as against purely Canadian East-West highway projects that may be pending?

If the answer should be no, that would doubtless end the matter for the present; for I assume it to be highly unlikely that Canada would accept any offer from Washington – an unlikely event in itself – to pay for the Canadian sections.

There is no doubt, as is well set forth in the memorandum you enclose, that the United States has recently shown increased interest, as a result of the Japanese situation, in communications between the United States mainland and Alaska. I do not see, however, – unless Canada incurred a "moral" obligation by allowing the United States to assume the whole or part of the cost of building the highway in Canadian territory – that the construction of such a highway would give any warrant for using this portion of Canadian territory in time of war any more than any other portion. It may well be that the whole project is not financially feasible. It seems, however, to represent a perfectly intelligible aspiration on the part of the Pacific Coast people, and if the Province should want it and it should turn out to be feasible, I should think any military objections would have to be very carefully and firmly established before they could be allowed to overcome such a project. The British Columbia people would feel such objections to amount to a veto on the exploration and development of the northern part of the Province.

If any further discussions with Washington should develop, I imagine we should try to avoid anything in the nature of formal agreements, or joint study or operating agencies; but rather should proceed on the basis of concurrent studies and programmes and of informal consultations between the highway authorities on both sides.

Yours sincerely,

O. D. SKELTON

245.

Le sous-ministre de la Défense nationale au sous-secrétaire d'État aux Affaires extérieures

Deputy Minister of National Defence to Under-Secretary of State for External Affairs

Ottawa, September 7, 1935

Dear Sir,

With respect to your letter dated August 16th advising of the further negotiations with the United States Legation on the matter of a new concession now sought by the United States.

As requested, the matter has been given further consideration as it appears evident that the United States are reluctant to withdraw their request for

military aircraft to fly between Selfridge Field and Toledo, Ohio, via Windsor and Amherstburg. From the Air Force point of view there are no objections that warrant withholding the granting of the request and, as any further objection that is raised would probably be of a civilian nature, this Department is satisfied to leave the final decision in your hands.

Consideration has been given to the question of a reasonable concession that might be asked in return for the favour requested by the United States. No such concession can be formulated at present but it is requested that in drawing up an agreement you inform the United States authorities that the request is granted on the understanding that should the Canadian authorities at any time require reciprocal privileges, every consideration will be given to their request.

Yours very truly,

L. R. LaFLÈCHE

246.

Le chef d'État-major au sous-secrétaire d'État aux Affaires extérieures
Chief of General Staff to Under-Secretary of State for External Affairs

Ottawa, September 14, 1935

Dear Dr. Skelton,

Thank you for your letter of the 6th September in which you give me your valued opinion on various aspects of the proposed U.S.A. to Alaska highway.

As you say, it may well be that the project is neither economically justified nor financially feasible, and in either of these cases, the matter would likely be dropped. At the same time I think we must bear in mind the unfortunate fact that these considerations have not been decisive in the case of several previous and important problems concerning our national communications. Political expediency, on occasion, proves to be the dominating factor.

As regards the project under discussion, I regretfully incline to the view that, in a great international struggle such as the contingency under contemplation, military necessity would tend to overcome political scruples. If I am even approximately correct, we would be more than foolish if we should, in the meantime, create what would then become a military asset of a very high order if possessed or utilized by our neighbours to the south. I am attaching copies of some recent press clippings. It is interesting to note that the other side of the case is now receiving public attention.

Yours sincerely,

E. C. ASHTON

247.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 1050 Washington, September 18, 1935

Sir,

With reference to my despatch No. 793 of July 9th and previous correspondence concerning legislation with respect to the construction of a highway to connect Alaska and the United States, I have the honour to enclose copies of the measure in question, which became law on the signature of the President on August 26th. The Act requests the President to negotiate an agreement with the Government of Canada covering the survey, location, and construction of the proposed highway, and to cause a survey to be made in cooperation with Canada to determine the best route for it to follow. It also authorizes the President to create a suitable agency to carry on the project after the international negotiations are successfully concluded.

I have etc.

W. D. HERRIDGE

248.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

DESPATCH 268 Ottawa, September 21, 1935

Sir,

Referring to your despatches No. 701 of the 14th June, 1935, and No. 906 of the 14th August, of the same year, I may say that I entirely agree with your suggestion as set forth in Paragraph 2 of the earlier despatch. I am also bringing the matter to the attention of the Attorneys General of the Provinces.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

249.

Le chargé d'affaires des États-Unis au secrétaire d'État aux Affaires extérieures

United States Chargé d'Affaires to Secretary of State for External Affairs

No. 41 Ottawa, September 24, 1935

Sir,

I have the honor to acknowledge the receipt of your note No. 107 of September 23, 1935, stating that the Canadian Government is prepared to renew for one year, as from July 1, 1935, the Agreement of 1932 permitting military aircraft of either country to fly over specified portions of the territory of the other. The Agreement would be renewed with amendment to permit flights of American planes from Selfridge Field, Michigan, to the Municipal Airport at Toledo, and return, over Canadian territory as mentioned in your note. It is further noted that the consent is given upon the understanding that should the Canadian Government at any time request reciprocal privileges every consideration would be given to such a request.

The matter has been referred to the Secretary of State and upon receipt of instructions from him in this regard I shall not fail to inform you.[1]

I avail etc.

LAVERNE BALDWIN

[1] L'accord fut signifié le 5 novembre 1935. [1] Agreement was signified on November 5, 1935.

CHAPITRE IV / CHAPTER IV

ORGANISATIONS INTERNATIONALES
INTERNATIONAL ORGANIZATIONS

PARTIE 1 / PART 1

LE CANADA À LA SDN
CANADA AT THE LEAGUE

GÉNÉRALITÉS
a)
GENERAL

250.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

Ottawa, May 12, 1931

Sir,

I have the honour to inform you that you, together with Colonel C. H. L. Sharman, Chief of the Narcotic Division, Department of Pensions and National Health, have been appointed a delegate to represent His Majesty's Government in Canada at the International Conference on the Limitation of the Manufacture of Narcotic Drugs, which will be held in Geneva on the 27th of May, 1931.

In view of the importance attached by the Canadian Government to the object of this Conference, it is desirable that, in considering the draft Con-

vention prepared by the Opium Advisory Committee, which it is understood will be the ground work of the Conference's deliberations, the delegates should bear in mind the following points:

(1) The Canadian Government approve in principle the limitation of the manufacture of narcotic drugs and accepts the extension of the agenda of the Conference to include also the question of the limitation of all derivatives of opium and the coca leaf.

(2) The Canadian Government is not prepared to accept the recommendation of the London Conference of Narcotics Manufacturing Countries that the contemplated control of narcotic purchases should be vested in an organisation of the narcotics manufacturers but is prepared to support or initiate the creation by the League of Nations of a central agency which could supervise the operation of the scheme of limitation agreed upon.

(3) The Canadian Government is of opinion that the right to permit the manufacture of narcotic drugs for domestic consumption upon giving due notice should be formally reserved in any Convention prepared for signature.

(4) The Canadian Government is opposed to the so-called "scheme of stipulated supply" which may be put forward as an alternative to the draft Convention for the limitation of manufacture prepared by the Opium Advisory Committee.

(5) The Canadian Government views with [favour] the proposal that codeine should be included in the existing import and export licensing system. It is believed that this measure will prove an adequate check on its present diversion into illicit channels.

(6) The delegates will endorse the proposal that preparations derived directly from opium, such as pantopon, should be included in the Convention.

It is, of course, impossible to anticipate the course of the Conference's deliberations. Explicit instructions from this distance might prove stultifying. The delegates, mindful of this difficulty, will continue to keep the Government informed of developments in the Conference and in so far as possible endeavour to secure effective agreement upon an acceptable Convention to which all the countries present may be expected to accede. It is hoped that opportunity has already arisen for the exchange of views in London between the Canadian delegates and the representatives of His Majesty's Government in the United Kingdom. The Canadian Government hopes that they will see the force of the Canadian objections to the proposal of the Conference of the Manufacturing Countries already referred to, and may see their way clear to supporting the alternative proposal preferred by the Canadian delegation.

It is unfortunate that the simultaneous session of the International Labour Conference will prevent you from giving your full attention to the proceedings of the Conference on the Limitation of Manufacture. Arrangements, however, are being made for the presence at Geneva during the Conference of Mr. D'Arcy McGreer, Second Secretary of the Paris Legation, who will be able to assist Colonel Sharman in the work of the Conference.

For your information, I may add that the Geneva Advisory Office has been instructed in a cable of to-day's date to notify the Secretary-General that Colonel Sharman and yourself have been appointed delegates to the Conference.

I have etc.

O. D. SKELTON

251.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 45 Geneva, July 13, 1931

Opium Convention adopted Sunday night and will be signed this afternoon, Monday. President of the Permanent Central Board and head of American delegation share our opinion that Convention obtained considerably more satisfactory than reasonable to expect. First five points of our instructions fully covered. Reference to sixth point—all preparations controlled as in Geneva Convention plus any solution or dilution in inert substances irrespective of proportion of narcotic content. We have limitation of manufacture to actual domestic requirements within the limits of previous Governmental estimate plus definite export orders and reserve stocks all strictly supervised by Supervisory Body, Geneva, also strict control of quantities of raw materials entering factories and full accounting, also ample provision for control of future drugs invented, synthetic or otherwise. Exportation of heroin prohibited except for medical needs on direct request of Governments and consigned to them for subsequent distribution through usual channels. Mailing copies of Convention today, correct except for few minor drafting changes. Understand unofficially should Canada desire to negotiate Narcotic Extradition and Information Treaty with Japan similar to Canada-United States Treaty reception of suggestion probably cordial and that possibly United States may consider similar action. Present time peculiarly opportune, matter submitted for your consideration account of possible desire to consult with Mr. Marler before return.

252.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D.12 London, June 1, 1932

Following statement is being made by the Secretary of State for Foreign Affairs in reply to question in Parliament this afternoon, Wednesday. Begins.

Within the last few days conversations have taken place between His Majesty's Government and the Government of the United States on the suggestion that an International Economic Conference should be called to consider methods to stabilize world commodity prices. The matter has not advanced beyond an informal and entirely preliminary stage—so much so that opportunity for consulting the other Governments chiefly concerned has not yet arisen. It has to be remembered that the terms of reference for the Conference at Lausanne include among objects to be sought, not only a settlement of reparations, but agreement on measures necessary to solve other economic and financial difficulties which are responsible for and may prolong the present world crisis. Unless, therefore, the United States send representatives to the second part of the Lausanne Conference there is danger of overlapping and question of time and place would remain to be considered even if a yet further Conference were decided on. At the same time the importance of United States co-operation in such a discussion is so great that His Majesty's Government are losing no time in consulting the other Governments who will be assembled at Lausanne as to the suggestion which has been made. Ends. Further telegram will follow.

253.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 81 Geneva, July 15, 1932

Council decided this afternoon, Friday, to accede to the request of Lausanne that a Monetary and Economic Conference should be convoked by the League of Nations. Appointed a Committee of the Council which shall be presided over by the British representative and shall take such decisions of a practical character (time, place, composition, etc.) as may be necessary in connection with convocation. Invited Commission of Experts set up by Lausanne to prepare a draft annotated Agenda. Recommended to Assembly that necessary financial provisions for the Conference be made.

254.

Décret du Conseil
Order in Council

P.C. 2076 September 21, 1932

The Committee of the Privy Council have had before them a report, dated 15th September, 1932, from the Secretary of State for External Affairs, representing, in concurrence with the Minister of Pensions and National Health, as follows:

1. The International Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs, signed on the 13th July, 1931, at Geneva, by the Canadian Plenipotentiaries named therein, was approved on the 15th and 19th April, 1932, by the House of Commons and Senate of Canada respectively, and the legislation required in connection therewith was assented to on the 3rd May, 1932;

2. It is now deemed advisable to ratify the said Convention.

The Minister, therefore, in concurrence with the Minister of Pensions and National Health, recommend that his Majesty the King be humbly moved to ratify in respect of Canada the said International Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs.

The Committee submit the foregoing for Your Excellency's approval.

255.

Le président du Conseil par intérim au secrétaire d'État aux Affaires extérieures

Acting President of Council to Secretary of State for External Affairs

C.L. 154. 1932 Geneva, September 27, 1932

Sir,

RESIGNATION OF THE SECRETARY-GENERAL

As Acting President of the Council, I have been requested by my colleagues to inform the Members of the League that the Council this morning accepted with deep regret the resignation of Sir Eric Drummond from the post of Secretary-General, a post which he has held since the League was founded. It was understood that this resignation would not take effect earlier than June 30th 1933.

In making this announcement, the Council desires to place on record its deep sense of the great services which Sir Eric Drummond has rendered to the League of Nations. It would be impossible to summarise in any adequate form the achievements of the retiring Secretary-General. But the record of these achievements is written in the history of the twelve years which have passed since he undertook the great public duty which he is now relinquishing. His unremitting industry, his loyalty and devotion to the work of the League, his wide knowledge of the subjects which fall to be considered by that organisation, and his executive ability as the officer charged with the execution of its decisions will remain as an example to those who carry on the work in the years to come.

Sir Eric Drummond, however, brought to the task entrusted to him by the nations rarer gifts than these—gifts which especially fitted him for his unique

place in the Assembly of the world. His judgment, tact, impartiality and unfailing courtesy are known to all who come to Geneva on the business of their governments. Not one of them but must recall occasions [on] which the solution of problems of great difficulty and delicacy was made easier by the efforts of the Secretary-General to find the highest common measure of agreement.

In taking leave of the Secretary-General the Members of the League of Nations will congratulate him upon the part which he has played here with such distinction for so long. They will be conscious that in congratulating Sir Eric Drummond they are congratulating themselves on the fact that during the first phase of the greatest experiment in international co-operation ever undertaken, they had the services in the capacity of Secretary-General of a statesman and diplomat who reflected in his own person the ideals in which that experiment was conceived and will be carried forward.

I have etc.

EÁMON DE VALÉRA

256.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 105 Geneva, October 10, 1932

Following for Mr. Bennett from Mr. Cahan. Begins. British representative on Council informs me today that Mr. Massey heads list submitted by Germany and that majority of Council favourably disposed towards appointment of Massey as High Commissioner of Danzig. British disposed to vote for the appointment of Massey unless the Canadian Government veto appointment. No other Canadian national will be acceptable to the majority of Council.

257.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 116 Geneva, October 17, 1932

Avenol appointed by Council as Secretary General subject to Assembly approval.[1]

[1] Voir le document 323. [1] See Document 323.

258.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 120 Geneva, October 17, 1932

Following for Mr. Bennett from Mr. Cahan. Begins. Officially reported that Massey received offer of High Commissionership of Danzig but declined. Permanent appointment deferred until Special Session in November.

259.

Le Secrétaire général par intérim au secrétaire d'État aux Affaires extérieures

Acting Secretary-General to Secretary of State for External Affairs

C.L. 82.(a). 1933. II. Geneva, May 2, 1933

Sir,

I had the honour to send you on May 1st the following telegram:

> Continuation circular letter fourteen February second Economic Conference convened London June twelfth. United States Government informs will propose Customs Truce at opening of Conference letter follows.

Following my letter of February 2nd 1933, (C.L.14. 1933.II.) communicating to your Government the Draft Annotated Agenda for the Monetary and Economic Conference, I have the honour to inform you that the Committee of the Council for the Organisation of the Conference having met in London on the 29th of April has decided to convene the Conference on June 12th at 11 a.m. The Conference will meet in London at the new Geological Museum in Exhibition Road, South Kensington.

I have further the honour to inform you that the representative of the United States, Mr. Norman Davis, informed the Organising Committee that at the opening of the Conference, the United States Delegation intends to ask the participating Governments to join in an agreement or understanding to be carried out in good faith, providing that all Governments should refrain, during the period of this truce, from creating or making any material upward modification of tariff rates, imposing any new restrictions or enhancing any existing restrictions against the importation of goods which would give domestic producers an additional advantage as compared with foreign producers. Furthermore, this truce would provide that the Governments should agree to introduce no additional direct or indirect subventions for the expansion of their export industries, or any discriminatory trade methods, or any additional measures to promote dumping, etc.

I should be glad if you would inform me of the composition of the delegation your Government intends to send to the Conference.

I have etc.

J. AVENOL

260.

Le Secrétaire général par intérim au secrétaire d'État aux Affaires extérieures
Acting Secretary-General to Secretary of State for External Affairs

C.L. 99. 1933. II. Geneva, May 30, 1933

Sir,

Following my letter of May 24th, (C.L. 95.1933.II) in which I communicated to your Government the Resolution concerning the institution of a Tariff Truce in relation to the Monetary and Economic Conference, adopted by the Council Organising Committee on May 12th, I now have the honour to state that the Council of the League, at its meeting held on May 24th, adopted the following resolution:

> The Council,
>
> Having taken note of the report submitted to it by the President of the Council Committee for the Organisation of the Monetary and Economic Conference on the meetings held on April 29th, and May 12th, 1933,
>
> Expresses its satisfaction that the eight Governments represented on the Committee have agreed between themselves before the opening of the Conference and during its proceedings to abstain from all initiatives which might increase the difficulties now arresting international commerce,
>
> Considers this agreement to be a good augury for the work of the Conference,
>
> Considers further that the adherence of as many Governments as possible to this truce is necessary in order to create a period of calm and tranquillity during which the work of the Conference can proceed,
>
> Urgently appeals to all the Governments invited to the Conference to join in this agreement and to act in accordance with its spirit.

I attach an extract from the minutes of the Council meeting at which this Resolution was adopted.

I have etc.

J. AVENOL

261.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 64 London, June 17, 1933

Canadian Government have notified Secretary-General of Conference of their adhesion to Customs Truce embodied in Resolution adopted by Organising Committee of the Council on the 12th May.

262.

Le Premier ministre au Premier ministre par intérim
Prime Minister to Acting Prime Minister

TELEGRAM London, July 12, 1933

After struggle, decided that Conference will continue for ten days or two weeks discuss relatively non-contentious questions, in which time general monetary conversations may be resumed. The terrible uncertainty as to Roosevelt's policy and past experience of Continental countries with uncontrolled inflation has in the past week intensified their attitude of distrust in such price-raising methods, and it is now clear that unless the United States is able to control price speculation movement there is no prospect of agreement with gold countries. Please send copy to Herridge.

BENNETT

263.

Déclaration des délégations du Commonwealth britannique à la Conférence monétaire et économique, 1933

Declaration by Delegations of British Commonwealth to Monetary and Economic Conference, 1933

London, July 27, 1933

FINANCIAL AND MONETARY POLICY

1. Now that the World Economic and Monetary Conference has adjourned, the undersigned Delegations of the British Commonwealth consider it appropriate to put on record their views on some of the more important matters of financial and monetary policy which were raised but not decided at the Conference. During the course of the Conference, they have had the opportunity of consulting together and reviewing, in the light of present-day conditions, the conclusions arrived at at their meeting at Ottawa a year ago, in so far as they had reference to the issues before the Conference.

ECONOMIC POLICY

2. The undersigned Delegations are satisfied that the Ottawa Agreements have already had beneficial effects on many branches of inter-Imperial trade and that this process is likely to continue as the purchasing power of the various countries increases. While there has not yet been sufficient time to give full effect to the various agreements made, they are convinced that the general principles agreed upon are sound. The undersigned Delegations reaffirm their conviction that the lowering or removal of barriers between the countries of the Empire provided for in the Ottawa Agreements will not

only facilitate the flow of goods between them, but will stimulate and increase the trade of the world.

3. The Delegations now desire to draw attention to the principles of monetary and financial policy which have emerged from the work of both the Ottawa and World Conferences, and which are of the utmost importance for the countries within the British Commonwealth. The following paragraphs embody their views as to the principles of policy which they consider desirable for their countries.

MONETARY AND FINANCIAL

(1) Price Levels

4. At the Ottawa Conference the Governments represented declared their view that a rise throughout the world in the general level of wholesale prices was in the highest degree desirable and stated that they were anxious to co-operate with other nations in any practicable measures for raising wholesale prices. They agreed that a rise in prices could not be effected by monetary action alone, since various other factors which combined to bring about the present depression must also be modified or removed before a remedy is assured.

It was indicated that international action would be needed to remove the various non-monetary factors which were depressing the level of prices.

In the monetary sphere the primary line of action towards a rise in prices was stated to be the creation and maintenance within the limits of sound finance of such conditions as would assist in the revival of enterprise and trade, including low rates of interest and an abundance of short-term money. The inflationary creation of additional means of payment to finance public expenditure was deprecated, and an orderly monetary policy was demanded with safeguards to limit the scope of violent speculative movements of commodities and securities.

5. Since then the policy of the British Commonwealth has been directed to raising prices. The undersigned Delegations note with satisfaction that this policy has been attended with an encouraging measure of success. For some months, indeed, it had to encounter obstacles arising from the continuance of a downward trend of gold prices, and during that period the results achieved were in the main limited to raising prices in Empire currencies relatively to gold prices. In the last few months the persistent adherence of the United Kingdom to the policy of cheap and plentiful money has been increasingly effective under the more favourable conditions that have been created for the time being by the change of policy of the United States, and by the halt in the fall of gold prices.

Taking the whole period from the 29th June, 1932, just before the assembly of the Ottawa Conference, a rise in sterling wholesale prices has taken

place of 12 per cent. according to the "Economist" index. The rise in the sterling prices of primary products during the same period has been much more substantial, being in the neighbourhood of 20 per cent.

6. The undersigned Delegations are of opinion that the views they expressed at Ottawa as to the necessity of a rise in the price level still hold good and that it is of the greatest importance that this rise which has begun should continue. As to the ultimate level to be aimed at they do not consider it practicable to state this in precise terms. Any price level would be satisfactory which restores the normal activity of industry and employment, which ensures an economic return to the producer of primary commodities, and which harmonises the burden of debts and fixed charges with economic capacity. It is important that the rise in prices should not be carried to such a pitch as to produce an inflated scale of profits and threaten a disturbance of equilibrium in the opposite direction. They therefore consider that the Governments of the British Commonwealth should persist by all means in their power, whether monetary or economic, within the limits of sound finance in the policy of furthering the rise in wholesale prices until there is evidence that equilibrium has been re-established and that thereupon they should take whatever measures are possible to stabilize the position thus attained.

7. With reference to the proposal which has been made from time to time for the expansion of Government programmes of capital outlay, the British Commonwealth Delegations consider that this is a matter which must be dealt with by each Government in the light of its own experience and of its own conditions.

(2) International Standard

8. The Ottawa Conference declared that the ultimate aim of monetary policy must be the restoration of a satisfactory international monetary standard, having in mind, not merely stable exchange rates between all countries, but the deliberate management of the international standard in such a manner as to ensure the smooth and efficient working of international trade and finance. The principal conditions precedent to the re-establishment of any international monetary standard were stated, particularly a rise in the general level of commodity prices in the various countries to a height more in keeping with the level of costs, including the burden of debt and other fixed and semi-fixed charges, and the Conference expressed its sense of the importance of securing and maintaining international co-operation with a view to avoiding, so far as may be found practicable, wide fluctuations in the purchasing power of the standard of value.

9. The undersigned Delegations now reaffirm their view that the ultimate aim of monetary policy should be the restoration of a satisfactory international gold standard under which international co-operation would be secured and maintained with a view to avoiding, so far as may be found practicable,

undue fluctuations in the purchasing power of gold. The problem with which the world is faced is to reconcile the stability of exchange rates with a reasonable measure of stability, not merely in the price level of a particular country, but in world prices. Effective action in this matter must largely depend on international co-operation, and in any further sessions of the World Economic and Monetary Conference this subject must have special prominence.

10. In the meantime the undersigned Delegations recognize the importance of stability of exchange rates between the countries of the Empire in the interests of trade. This objective will be constantly kept in mind in determining their monetary policy and its achievement will be aided by the pursuit of a common policy of raising price levels. Inter-Imperial stability of exchange rates is facilitated by the fact that the United Kingdom Government has no commitments to other countries as regards the future management of sterling and retains complete freedom of action in this respect. The adherence of other countries to a policy on similar lines would make possible the attainment and maintenance of exchange stability over a still wider area.

11. Among the factors working for the economic recovery of the countries of the Commonwealth, special importance attaches to the decline in the rate of interest on long term loans. The undersigned Delegations note with satisfaction the progress which has been made in that direction as well as in the resumption of overseas lending by the London market. They agree that further advances on these lines will be beneficial as and when they can be made.

12. The undersigned Delegations have agreed that they will recommend their Governments to consult with one another from time to time on monetary and economic policy with a view to establishing their common purpose and to the framing of such measures as may conduce towards its achievement.

Signed on behalf of the respective Delegations.

NEVILLE CHAMBERLAIN
United Kingdom of Great Britain and
Northern Ireland

R. B. BENNETT
Canada

S. M. BRUCE
Commonwealth of Australia

GEO. W. FORBES
New Zealand

J. C. SMUTS
Union of South Africa

H. STRAKOSCH
India

264.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 34 Ottawa, August 21, 1933

Canadian delegates to Assembly Manion, Roy and yourself, with Ferguson and Désy as alternatives. Manion sailing England 2nd September. He will write you direct regarding reservations.

265.

Le sous-secrétaire d'État aux Affaires extérieures au ministre des Chemins de fer et des Canaux
Under-Secretary of State for External Affairs to Minister of Railways and Canals

Ottawa, August 31, 1933

Dear Dr. Manion,

I am enclosing, herewith, for your information, three copies of some notes[1] on the Agenda of the forthcoming Session of the Assembly bringing up to date and somewhat elaborating the preliminary notes sent you some weeks ago. They include additional material received from Dr. Riddell's office since the first notes were sent you. Perhaps one set might be given to Mr. Roy and one, for reference, also to Dr. Riddell.

As has frequently happened in previous years many of the subjects on the Agenda are not of great importance, either in themselves or to Canada. The efforts to bring about greater economy in the expenditure of the League and to secure some at least of the contributions now in arrears promise to be the most difficult matters this year. In the present state of distress and general insecurity among the nations, there is, however, more than a possibility that some political question, such as the treatment of Jews in Germany or the position of Austria, may be placed squarely before the Assembly, but these matters, of course, can only be dealt with when and if they arise.

I enclose also copy of a Secret Telegram, Circular B. 83, of August 29th,[1] from the Secretary of State for Dominion Affairs to the Prime Minister, regarding the treatment of Assyrian minorities in Iraq, which may be up for discussion.

I am also enclosing copy of the Rules of Procedure of the Assembly.[1]

It is not clear yet how far the question of Disarmament will come before the Assembly. In any case it is probable that the General Commission of the

[1] Non reproduites. [1] Not printed.

Disarmament Conference, which is practically the Conference in Committee of the Whole, will be in session before you leave Geneva. I am enclosing for reference (in black cover) the first or general volume of some material that was prepared for the Delegates to the Disarmament Conference when it met last year, which in general lines has the Prime Minister's approval. In addition, some separate notes have been attached to this volume dealing with recent developments.

It seems quite likely that a good deal of discussion will arise on the possibility of reducing the expenditures of the League. It is clear that the League, like every other organization of this day, will have to retrench, and I myself see no reason why some reduction in secretariat salaries should not be effected voluntarily or by compulsion. As the notes on the subject point out, however, it would be a serious mistake to reduce these salaries to the Continental Europe level as that would mean that the League secretariat in the future would be more than ever predominantly staffed by Europeans.

The question, however, is a much broader one, and I hope that members of the League, and particularly the Australians and New Zealanders who have an obsession in this direction, will not be stampeded into making such a cut in the League's expenditure as will completely hamstring its operations. Undoubtedly the League at the moment is suffering from a wave of popular disillusionment but the responsibility for that rests with the members of the League and not with the organization, and it would seem to be unfortunate to deal it a further blow financially. It is surely necessary to look at the League expenditures in the proper perspective. To object to spending five or six million dollars a year on the main instrumentality for keeping the world at peace and building a positive co-operation and to say nothing about the three billion dollars and more that the world is spending on armaments surely is straining at the gnat and swallowing the camel. So far as Canada is concerned, our annual expenditure on the League is only one fifth of one per cent of what we are spending on the legacies of the last war in the way of interest on debt and war pensions.

Yours sincerely,

O. D. SKELTON

266.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 40 Ottawa, September 26, 1933

Question of Canadian representation on Advisory Committee on Drug Traffic also on Advisory Committee for the Protection of Children has been under consideration. I should like you to discuss with Dr. Manion and to take up with League authorities possibility of appointing Colonel Sharman on

Drugs Committee and of making Miss Charlotte Whitton Delegate Member of second committee instead of Assessor. If any difficulty at this stage in securing both appointments we should probably prefer Sharman's selection but should like immediate report on position.

267.

Le ministre des Affaires extérieures d'Irlande au secrétaire d'État aux Affaires extérieures

Irish Minister for External Affairs to Secretary of State for External Affairs

DESPATCH 9 [Dublin,] October 4, 1933

Sir,

I have the honour to refer to the Declaration of Financial and Monetary Policy signed by representatives of States of the British Commonwealth of Nations, which was issued on the 27th July last following the World Monetary and Economic Conference. The Government of the Irish Free State have had this Declaration under consideration, and I have to inform you that they are in general agreement with the views of the signatories as to the desirability of an increase in price levels and of the stabilisation of exchange rates.

2. The Government of the Irish Free State are willing to participate in the consultations which it is proposed should take place from time to time between the Governments of the States of the Commonwealth on matters of monetary and economic policy. At the same time, they feel that the prospects of attaining the ends in view would be greatly improved if these consultations were open to all States now operating on currencies bearing a fixed relation to sterling, and to any other States which may be willing to co-operate in an effort to raise prices and stabilise exchange rates. They would, therefore, be prepared to join in a general invitation to such States to participate in the proposed consultations.

3. The Government of the Irish Free State note the statement in the Declaration that the United Kingdom Government have no commitments to other countries as regards the future management of sterling and retain complete freedom of action in this respect. It is presumed, however, that the undertaking in the matter of consultation will apply to any major decision affecting the position of sterling which may be made in the future, and that no such decision will be made without prior consultation with the other States concerned.

I have etc.

EÁMON DE VALÉRA

268.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 213 Geneva, October 6, 1933

IMMEDIATE. My telegram of the 4th October, No. 211. Bruce (Australia) has been asked by the Council to suggest a Dominion for representation on Economic Committee and has informed Dr. Manion that he would like to suggest Canada.

Stoppani informs me if we accept representation it will not be necessary to name a representative at once. He is also of the opinion that it would not be necessary for our representative to attend more than one or two meetings a year; at other meetings he could be represented by his substitute as has been the practice of the United States. Stoppani would like to know definitely by Monday whether Canadian Government will accept membership on Committee.

269.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 46 Ottawa, October 10, 1933

IMMEDIATE. Your telegrams 211 and 213 regarding Economic Committee. Please inform Bruce we appreciate suggestion of Canadian representation on Committee but do not think it advisable to undertake at present.

270.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 217 Geneva, October 12, 1933

Following for the Prime Minister from Manion. Begins. Reference to External's telegram of the 10th October, No. 46. Riddell had cabled regarding this on the 4th October and 6th October and had no reply, and on Tuesday, 10th October, Economic Section stated that they must have answer as to whether the Canadian Government would consent to a Canadian expert being appointed to Economic Committee, as Rapporteur to Council

had to complete his report that day at the latest. As expenses of our expert on Economic Committee would be paid by the League of Nations and as our expert need not be a Government official, I concluded, after discussion with Riddell, that we should not refuse the honour of having Canadian expert appointed to this Committee, and therefore I took responsibility of informing Bruce of this on the afternoon of 10th October. External's telegram came later that evening and I immediately endeavoured through Bruce to countermand acceptance but was later informed that Report of Committee had already been distributed to members, stating Canada was being invited to name an expert. That is position of matter today. Riddell, Désy and I are convinced that this opportunity should not be lost. However, if you are still of the opinion expressed in your telegram No. 46, Riddell can so inform Rapporteur so that Council may at its January Session appoint an expert from some other member of the Commonwealth which has not already had representation on Committee. We will await your reply before informing Rapporteur.

271.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 49 Ottawa, October 13, 1933

Following for Manion. Begins. In absence of Prime Minister in West I do not wish to say definitely that position taken in his telegram October 10th should be varied. However as report has already been distributed naming Canadian as member of Committee and as no action could be taken before January to replace him, I think it better to let matter rest for present. I shall take up further on Prime Minister's return. Ends.

272.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 95 London, November 3, 1933

SECRET. My telegram Circular B. 48, 11th May, Secret. His Majesty's Government in the United Kingdom have decided to withdraw from Tariff

Truce with explanation that this course is being adopted as having regard to multitudinous and far-reaching reservations which have been made to it. They feel that it has outlasted its term of usefulness. Secretary-General of the League of Nations will be informed accordingly in the course of the next few days.

273.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

CONFIDENTIAL Geneva, November 11, 1933

My dear Dr. Skelton,

You would be glad to learn from my telegram that the Opium Advisory Committee had decided to recommend to the Council that Canada should be given a seat on the Committee. This decision practically assures us of membership.

Our efforts regarding the Advisory Commission for the Protection and Welfare of Children and Young People were not so successful, owing no doubt to a number of factors in the situation. The first difficulty was the number of candidates; I understand from Mr. Ekstrand that by the end of the Assembly there were six for the three seats; and our application was made rather late. The appointment of Turkey was generally looked upon as a sort of consolation prize for her defeat in the Council elections; and the fact that the Rapporteur was the Representative of Panama may have had something to do with the appointment of Chile.

Again, our situation in respect of the two Committees is rather different. There is no doubt in League circles of our interest in the opium problem and the soundness of our views thereon; but we have not displayed the same interest or taken the same part in the social work of the League. It would, I think, have been helpful if we had been represented at the Diplomatic Conference on the Traffic in Women which was held during the Assembly. A more serious difficulty was that the Canadian assessor had attended only two sessions of the Child Welfare Committee and had not been present since 1928.

The greatest obstacle in the way of our appointment, however, according to Mr. Ekstrand, was that India had been pressing her candidature for some time and that the Rapporteur evidently hesitated to propose that the Council should give two of the three new seats to Members of the British Commonwealth.

I had thought at first that the member of the Social Section who is in charge of the Child Welfare work might have influenced the Council's decision because of her antipathy for our proposed member. Mr. Ekstrand has assured me, however, that he made no recommendations to the Rapporteur concerning the appointments to be made by the Council, and I believe that, if any such action was taken by Mlle Colin, it must have been without his knowledge.

After considering the situation, it seems to me that there is still a possibility of obtaining membership on the Commission, owing to the unique position which the holding of the present Canadian assessorship gives us. As you know, the Advisory Commission has for some time considered that the assessors should represent international organisations, and this view has been accepted by the Council and the Assembly. Since the death of Miss Julia Lathrop, who represented the American National Conference of Social Service, Miss Whitton has been the only assessor representing a national organisation. It therefore seems to me that within the next year or two we might expect to be given membership on the Commission, in order to assure our collaboration in its work and at the same time maintain the principle of assessors representing international organisations. The advantage which our position gives us is that our case might be treated as a special one without re-opening the whole question of the membership of the Commission. The success of this method of approach would of course depend on Miss Whitton's retaining her assessorship in the meantime.

I have recently discussed the matter with Mr. Avenol and Mr. Ekstrand. Mr. Ekstrand sees no difficulty in our assessorship being replaced by full membership. Mr. Avenol did not seem quite so optimistic about bringing the matter again before the Council in the immediate future. He was, however, very sympathetic and has told me that he will go into the matter carefully and will let me know what he thinks can be done.

Yours sincerely,

W. A. RIDDELL

274.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 1 Ottawa, January 5, 1934

Your telegrams Nos. 231, November 15th, 238, December 15th, and 1, January 4th. Regret delay in replying which has been due to necessity of carefully canvassing situation. Government has decided it would be unable to accept membership on Economic and Fiscal Committees at present in view of difficulty of arranging for adequate representation, but will be glad to retain corresponding membership on Fiscal Committee.

275.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

Geneva, January 16, 1934

My dear Dr. Skelton,

Our intimation that the Canadian Government was not in a position to accept membership on the Economic and Fiscal Committees at present was received here with considerable disappointment, some believing that it indicated a more or less settled policy of the Canadian Government not to co-operate actively in the economic and fiscal work of the League. I have tried to explain that this was not the case, but that, as far as I understood the situation, the decision was merely due to temporary difficulties in arranging for representation.

Yours sincerely,

W. A. RIDDELL

276.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

Ottawa, January 31, 1934

My dear Dr. Riddell,

I have your letter of January 16th, regarding the Canadian Government's statement on its inability to accept membership on the Economic and Fiscal Committees at present.

I do not think the decision represents a settled policy of the Canadian Government not to co-operate actively in the economic and fiscal work of the League, though there are some doubts on that score. It was mainly owing to the inability in the one case to find a suitable man who was free to go, and in the second place to a reluctance in these times of strict economy to authorize a Government official to make the expenditure of time and money required to attend. I hope the formal recommendation of Colonel Sharman's name will soon go forward, and that at a later stage, if an opening occurs, we may be able to take our part in one or more of the other committees.

Yours sincerely,

O. D. SKELTON

277.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 218 London, August 29, 1934

Times this morning publishes despatch from its correspondent at Ottawa stating that Prime Minister will sail this week end *Empress of Britain* for Geneva as head of Canadian delegation to League of Nations Assembly. In view of numerous enquiries, please cable if information correct and if so whether Prime Minister wishes hotel accommodation reserved in London.

278.

Le sous-secrétaire d'État aux Affaires extérieures
au haut commissariat
Under-Secretary of State for External Affairs to Office
of High Commissioner

TELEGRAM Ottawa, August 30, 1934

With further reference to your telegram No. 218, Prime Minister has decided to attend Assembly, sailing *Empress of Britain* and proceeding direct to Paris and Geneva. I shall be only other delegate going from Canada. Dési and Riddell will also be members of delegation. Prime Minister proposes to visit London after Assembly. Please advise Dominions Office.

SKELTON

279.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 85 London, August 30, 1934

SECRET. My telegram of the 14th July, Circular B. 77, paragraph 5. Soviet Ambassador has approached His Majesty's Government in the United Kingdom with an intimation of readiness of Union of Soviet Socialist Republics to enter League, subject to two stipulations,

(1) That they receive an invitation to apply for membership;

(2) That steps shall be taken to secure for them a permanent seat on Council.

Ambassador has been informed that His Majesty's Government in the United Kingdom welcome this intimation and are willing to accept stipulations. Similar approach has been made by Soviet Government to French and Italian Governments, who have given similar replies.

Procedure proposed by French Government, in which we have indicated general concurrence, is that at a private meeting, early in its next Session, the members of the Council should be informed by ourselves jointly with French and Italian Governments and any other Governments that are willing to do so, of desire of Union of Soviet Socialist Republics to enter League. The issue of an invitation would be suggested following precedent established when Mexico and Turkey entered League and question of according a permanent seat on Council would be raised. Subsequently a formal motion would be submitted to Assembly, and result of latter's consideration of matter would be communicated to Soviet Government who would then, on the assumption that result is favourable, apply officially for admission. It is understood that Soviet Government will probably wish to make their entry subject to reservation that matters arising before admission of Soviet to League shall not be subject to arbitration.

The Soviet Government have already approached Czecho-Slovakian and Turkish Governments also in support of candidature and we as well as French and Italian Governments have approached other members of the Council and Belgium, The Netherlands, Switzerland, in advance of forthcoming meeting of Council and Assembly.

We are explaining our attitude on the lines of statement by Secretary of State for Foreign Affairs on July 13th, namely, that we consider purposes of League would be strengthened by accession of a State of the size and power of the Soviet Union and that it would be of advantage for any political combination into which Soviet Union has entered or may enter to be brought within framework of League (see my telegram under reference) and we are expressing the hope that necessary action at Geneva to secure the admission of the U.S.S.R. and its election to a permanent seat on Council will be expedited by cooperation of countries in question.

Though it is being indicated that there is no doubt of desire of Soviet Government to join League, we are not informing foreign Governments in question that Soviet Government have made any démarche in this matter and it is requested that fact that they have done so may be regarded as particularly confidential. It is thought His Majesty's Governments in the Dominions will like to have in advance this confidential information as to action which is being taken and procedure contemplated and we hope they will be prepared through their delegations at Geneva to facilitate admission of U.S.S.R. to the League.

280.

Le secrétaire d'État par intérim aux Affaires extérieures au secrétaire aux Dominions

Acting Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 48 Ottawa, September 1, 1934

SECRET. Reference your telegram Circular B. 85 Secret of 30th August. His Majesty's Government in Canada have learned with satisfaction of the intention of the U.S.S.R. to apply for membership in the League, as intimated to the Government of the United Kingdom, and, anticipating the stipulations that the U.S.S.R. would set, have already informed their Advisory Officer in Geneva that their delegation would not oppose the extension of an invitation by the Assembly.[1] They are not, in principle, opposed to offering the U.S.S.R. a permanent seat on the Council, but must reserve their right to decide whether any complementary adjustments that may be proposed in the composition and tenure of the Council are feasible or desirable.

281.

Le Conseiller au secrétaire d'État par intérim aux Affaires extérieures

Advisory Officer to Acting Secretary of State for External Affairs

TELEGRAM 57 Geneva, September 10, 1934

Prime Minister unanimously elected Chairman of Second Committee.

282.

Le Conseiller au secrétaire d'État aux Affaires extérieures

Advisory Officer to Secretary of State for External Affairs

TELEGRAM 53 Geneva, April 30, 1935

Having interviewed Ekstrand, Avenol and Rivas Vicuna, Rapporteur to Council on child welfare, who were all favourable to Canadian Assessorship on Child Welfare Committee being changed to Government membership, I requested Ekstrand by letter to bring question before Committee which yesterday Monday, April 29th, gave unanimous approval. Council should now effect this change at May Session.

[1] Voir le document 599. [1]See Document 599.

283.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 23 Ottawa, May 21, 1935

Your telegram No. 53 of 30th April regarding membership, Advisory Commission for protection of children and young people—Government approve abolition of Canadian assessorship and would accept membership in Committee. Any announcement of name of Government representative will be made from Ottawa after Council have confirmed action forecast in your telegram.

284.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 41 Ottawa, September 5, 1935

Please advise Secretary General that Canadian Government accept invitation contained in his note of June 4th to Canadian Government to appoint a member on Child Welfare and Traffic in Women and Children Committees, and have appointed Miss Charlotte Whitton to serve in this capacity.

285.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 130 Geneva, September 25, 1935

IMMEDIATE. Re Second Committee. United Kingdom has introduced resolution that "Governments should endeavour to encourage freer trade by the conclusion of bi-lateral agreements, subject, should they consider it necessary, to the provision that in the event of a large variation in rate of exchange between currencies of the contracting parties, there should be power to take steps to revise agreements at short notice". The term "bilateral" indicates distrust of regional or multi-lateral agreements favoured by some delegations. Notes also provision re exchange which anticipated resolution re stabilisation. Extended debate possible as Committee meeting morning and afternoon.

French resolution before Committee that Economic Section resume consultations of agricultural experts as in 1930. Divergence of views as to representations probable.

286.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 51 Ottawa, September 25, 1935

Your telegram No. 130 of September 25th. Following draft sent for convenience. Do not act on it unless confirmed. United Kingdom resolution in Second Committee on commercial policy is acceptable—in supporting it you should avoid any reference to "return to gold standard as an ultimate objective of Governments" in view of risk that your remarks might be misconstrued here and should confine your statement to question of commercial policy.

(1) In welcoming French initiative you might refer to recent Franco-Canadian commercial agreements as illustration of new trend in international economic relations which we desire to see strengthened and continued.

(2) Canadian commercial policy is based on recognition of fact that our national economy is geared to a world economy and for its efficient functioning depends on restoration of normal movement of international trade.

(3) Following out the implications of this premise, the Government, after the successful negotiation of arrangements for increasing the volume of intra-Empire trade, has addressed its efforts to increasing trade between Canada and the rest of the world:

(*a*) by negotiating commercial agreements involving the reduction of rates of duty and liberalization of quotas;

(*b*) by exchanging most favoured nation treatment with five countries, and by according the benefits of the intermediate tariff to two other countries, all of which had hitherto been subject to the rates of duty of the Canadian general tariff;

(*c*) by entering into negotiations which are now in progress with other countries prepared to facilitate international economic recovery by reciprocal tariff reductions. In particular, it may be noted that the negotiations now being carried on with the Government of the United States of America—in conformity with the spirit and letter of the resolution before the Committee—affect a greater volume and value of international trade than that between any other two nations in the world. An increase in the exchange of commodities between these two countries would, it is believed, promote not only economic betterment

on the North American continent but also a general improvement in world conditions which would go far to realize the objective of this resolution.

287.

Le ministère des Affaires extérieures au Conseiller
Department of External Affairs to Advisory Officer

TELEGRAM 52 Ottawa, September 26, 1935

MOST IMMEDIATE. EN CLAIR. My telegram No. 51. Before supporting resolution it would be desirable if possible to substitute in preamble "universally acceptable standard of international exchange" for "gold standard as ultimate objective of governments". You might consult United Kingdom delegation as to feasibility of such change. In paragraph 3 section b after "five countries" add "in addition to twenty-one countries with which similar arrangements were already in force." In paragraph c substitute "mutual tariff concessions" for "reciprocal tariff reductions" and omit reference to volume and value of trade with United States. All above is made on assumption discussion in committee not yet closed.

b) SÉCURITÉ / SECURITY

288.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM C. 2 London, March 11, 1931

Following motion was agreed to by the House of Commons on the 9th March. Begins. That this House approves of the accession, in respect of the United Kingdom of Great Britain and Northern Ireland and all parts of the British Empire which are not separate members of the League of Nations, to Chapters I, II, III and IV of the General Act for the Pacific Settlement of International Disputes, subject to the conditions set forth in Annex 2 to Command Paper No. 3803. Ends.

Copies of Command Paper No. 3803 were enclosed in my Circular despatch C. 92 of the 4th March; the conditions referred to are identical with those indicated in previous correspondence.

A further communication will be sent as regards procedure contemplated for notification of accession by His Majesty in pursuance of terms of above motion.

289.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 28 London, March 14, 1931

CONFIDENTIAL. My telegram of the 9th February, No. 13, and my telegram of today Circular C. 4, General Act. It will be seen that it is proposed that formal Declaration of Accession by His Majesty the King in respect of the United Kingdom should be made at May Session of the League Council. For the reasons indicated in my telegram of the 9th February, His Majesty's Government in the United Kingdom very much hope that as many as possible of His Majesty's Governments may be able to effect simultaneous deposit of Accessions at that time, since they feel sure that such action would provide a stimulus to Accessions to General Act by foreign countries similar to that provided by the action of His Majesty's Governments in the case of the Optional Clause.

They would therefore be very grateful to learn whether His Majesty's Government in Canada have yet reached a decision in the matter and, if this decision is in favour of Accession to the General Act, whether Canadian Government would find it possible to effect formal Declaration at the time of the May meeting of the Council.

290.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 41 Ottawa, March 25, 1931

CONFIDENTIAL. Your confidential telegram Circular C. 5 of 2nd March and previous correspondence regarding General Act. Following motion is to be placed to-day on the Order Paper of the House. Begins. That it is expedient that Parliament do approve of the accession, in respect of Canada, to Chapters I, II, III and IV of the General Act of 1928 for the Pacific Settlement of International Disputes, subject to the following conditions (then follow the same conditions as those set forth in Annex 2 to British Command Paper No. 3803) and that this House do approve of the same, subject to the same conditions. Ends.

291.

Note pour le Premier ministre
Note for Prime Minister

Ottawa, April 1, 1931

THE GENERAL ACT

PACIFIC SETTLEMENT OF INTERNATIONAL DISPUTES

The General Act or Convention for the Pacific Settlement of International Disputes was drafted by a committee of the Council of the League of Nations to provide a comprehensive and at the same time flexible method of settling international disputes of any kind. It thus supplements the Covenant, which provides for mediation by the Council, and the Pact of Paris, which makes no provision for constructive means of preserving the peace which the signatories are pledged to maintain.

The General Act falls into three main parts. The first provides for conciliation in any dispute whatsoever by a permanent or temporary committee of five members. The second provides for judicial settlement of legal disputes by the Permanent Court; it very closely duplicates the Optional Clause. The third chapter provides for arbitration and compulsory acceptance of any dispute other than judicial which has not been settled by conciliation. An arbitral tribunal of five members is to be set up. The fourth part contains general provisions as to procedure, etc.

Acceptance of the General Act is effected by accession, as there was no preliminary signature by plenipotentiaries of any of the countries concerned. Accession may extend to the whole Act, or to conciliation and judicial [settlement] only or to conciliation only.

At the Imperial Conference of 1930, the general principles underlying the Act were approved. The Union of South Africa intimated that they were not prepared to accept the Act at present. The discussion turned chiefly on the question of what reservations, if any, were desirable. The United Kingdom proposed six conditions or reservations, noted on page 18 of the attached memorandum.[1] It was stated finally that it was proposed to commend the General Act to the appropriate authority in each country with a view to accession on conditions mainly similar to those attached to their respective acceptance of the Optional Clause. On the part of the Irish Free State this implied no reservation at all, or merely a reservation of domestic questions. In committee Mr. Read made the following statement:

> I had consulted with the Canadian Prime Minister and was authorized to state that the General Act, with the reservations proposed would be recommended to the consideration of His Majesty's Government in Canada, who would then decide what action was appropriate in the circumstances.

[1]Non reproduit. [1] Not printed.

In favour of the above reservations it may be urged

(1) That they have already been accepted by the Government and Parliament of the United Kingdom, and that in such matters uniformity throughout the Commonwealth is highly desirable.

(2) That it would be dangerous to submit vital national issues to compulsory arbitration without some safeguard.

(3) That 5 of the 6 reservations are substantially similar to the reservations made in the United Kingdom and Canada in connection with the signing of the Optional Clause.

On the other hand it may be urged

(1) That uniformity is not possible since South Africa is not prepared to sign at all and the Irish Free State will sign with at most one reservation.

(2) That it is more honest and inducive to national self-respect and international goodwill to abstain from signing such Acts than to pretend acceptance and then shoot them full of holes by long reservations.

(3) That it is legally doubtful whether under Article 39, which makes an exhaustive enumeration of possible reservations, some of the reservations proposed by the British Government are permissible, particularly 2, 3, and 5 and the final condition.

(4) That the 5th reservation excluding disputes of any party to the General Act who is not a member of the League of Nations, designed by the British Government to exclude disputes with Egypt, would be taken in Canada to be aimed chiefly at the United States.

It may be argued that the International Joint Commission provides a distinctive method of settling Canadian-American disputes, but it must be borne in mind that aside from boundary water disputes jurisdiction of this Commission is optional.

(5) The final reservation of the United Kingdom, which provides for bringing matters before the Council rather than before the Court or before a Conciliation Commission or Arbitral Tribunal may suit the book of the United Kingdom which is permanently represented on the Council. This does not apply to the other parts of the Commonwealth.

292.

Décret du Conseil
Order in Council

P.C. 1401 June 15, 1931

The Committee of the Privy Council have had before them a report, dated 12th June, 1931, from the Secretary of State for External Affairs, submitting:

1. As a result of the recent development of a movement for more comprehensive means of settling international disputes, a Committee of the League of Nations drafted in 1928 a multilateral treaty known as the General Act for the Pacific Settlement of International Disputes;

2. The Imperial Conference, 1930, having considered the provisions of the General Act, approved the general principles underlying it. The representatives of Canada at that Conference intimated that it was proposed to commend the General Act to the appropriate authority with a view to accession on conditions mainly similar to those attached to her acceptance of the Optional Clause.

3. The House of Commons of Canada, on the 15th May, 1931, and the Senate, on the 9th June, agreed to the following motion:

> That it is expedient that Parliament do approve of the accession, in respect of Canada, to Chapters I, II, III and IV of the General Act of 1928 for the Pacific Settlement of International Disputes, subject to the following conditions:
>
> (1) That the following disputes are excluded from the procedure described in the General Act, including the procedure of conciliation:
>
> (i) Disputes arising prior to the accession, in respect of Canada, to the said General Act or relating to situations or facts prior to the said accession;
>
> (ii) Disputes in regard to which the parties to the dispute have agreed or shall agree to have recourse to some other method of peaceful settlement;
>
> (iii) Disputes between His Majesty's Government in Canada and the Government of any other Member of the League of Nations which is a member of the British Commonwealth of Nations, all of which disputes shall be settled in such manner as the parties have agreed or shall agree;
>
> (iv) Disputes concerning questions which by international law are solely within the domestic jurisdiction of States; and
>
> (v) Disputes with any party to the General Act who is not a member of the League of Nations.
>
> (2) That His Majesty in respect of Canada reserves the right in relation to the disputes mentioned in Article 17 of the General Act to require that the procedure described in Chapter II of the said Act shall be suspended in respect of any dispute which has been submitted to and is under consideration by the Council of the League of Nations, provided that notice to suspend is given after the dispute has been submitted to the Council and is given within ten days of the notification of the initiation of the procedure, and provided also that such suspension shall be limited to a period of twelve months or such longer period as may be agreed by the parties to the dispute or determined by a decision of all the members of the Council other than the parties to the dispute.
>
> (3) (i) That, in the case of a dispute, not being a dispute mentioned in Article 17 of the General Act, which is brought before the Council of the League of Nations in accordance with the provisions of the Covenant, the procedure described in Chapter I of the General Act shall not be applied, and, if already commenced, shall be suspended, unless the Council determines that the said procedure shall be adopted.
>
> (ii) That in the case of such a dispute the procedure described in Chapter III of the General Act shall not be applied unless the Council has failed to effect a settlement of the dispute within twelve months from the date on which it was first submitted to the Council, or, in a case where the procedure

> prescribed in Chapter I has been adopted without producing an agreement between the parties, within six months from the termination of the work of the Conciliation Commission. The Council may extend either of the above periods by a decision of all its members other than the parties to the dispute.

and that this House do approve of the same, subject to the same conditions.

4. It is now deemed advisable to accede, in respect of Canada, to Chapters I, II, III and IV of the General Act of 1928 for the Pacific Settlement of International Disputes, subject to the conditions described in the Motion referred to above.

5. Paragraphs 1 and 2 of Article 43 of the General Act provide that "the present General Act shall be open to accession by all the Heads of States or other competent authorities of the Members of the League of Nations and the Non-Member States to which the Council of the League of Nations has communicated a copy for that purpose", and that "the instruments of accession and the additional declarations provided for by Article 40 shall be transmitted to the Secretary-General of the League of Nations, who shall notify their receipt to all the members of the League and to the non-Member States referred to in the preceding paragraph".

The Committee, therefore, on the recommendation of the Secretary of State for External Affairs, advise that the accession in respect of Canada as aforesaid be declared, under Article 43 of the General Act, and that that Declaration be transmitted to the Secretary-General of the League of Nations.

293.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 62 Geneva, September 24, 1931

Reference, draft of general Convention to improve the means of preventing war, document A. 14, 1931, VII. Text of Convention adopted by the Third Committee for submission to Assembly today, Thursday. Differs from text drawn up by Special Committee in the following particulars.

Article II, Paragraph 1, becomes new Article II as follows:

> If in circumstances which in the Council's opinion do not create a state of war between Powers at issue which are parties to the present Convention, the forces of one of those Powers entered the territory or territorial waters of the other or a zone demilitarized in virtue of International Agreements, or fly over them, the Council may prescribe measures to ensure their evacuation by those forces. The High Contracting Parties undertake to carry out without delay the measures so prescribed without prejudice to other powers vested in the Council under Article XI of the Covenant.

Article II, paragraph 2, which has been revised to read as follows:

> If the circumstances referred to in Article II have arisen, or if in the event of a threat of war special conditions, and more particularly of possibility of contact between forces parties to dispute renders it necessary, the Council may fix lines which must not be passed by their Land, Naval or Air forces and, where necessary in order to avoid incidents, by their civil aircraft, the High Contracting Parties undertake to comply with the Council's recommendations in this matter.

together with paragraphs 3, 4, 5 and 6 become new Article III. Numbers in text of subsequent Articles have been adjusted in accordance with these alterations.

The following paragraph has been added to former Article VIII, present Article IX, to allay misgivings expressed by Governments of India and Australia:

> Nor should it affect the right of free passage through the Suez Canal provided for in the Convention on the free navigation of the Suez Maritime Canal, signed at Constantinople on the 29th October, 1888.

The Convention will remain open for signature until the 2nd February, 1932, (opening of Disarmament Conference). After that date it will be open for accession by States which have not signed. The Convention will enter into force 90 days after ten ratifications or accessions have been received.

Would appreciate immediate confirmation of instructions if it is desired that Mr. Guthrie should sign Convention as revised.

294.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 29 Ottawa, September 26, 1931

Your telegram No. 62, September 24th, General Convention to Improve Means of Preventing War. We see no objection to changes, and understand that they have been accepted by whole Committee and that United Kingdom and other Commonwealth members are prepared to sign. We therefore confirm authorization Mr. Guthrie to sign as revised.

295.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 64 Geneva, September 28, 1931

Your telegram 26th September, No. 29. General Convention to improve the means of preventing war, approved by the Third Committee and adopted

by Assembly with Japan and China abstaining, has been signed today Monday by Spain and Lithuania. The United Kingdom is withholding signature pending further examination of revised text. Irish Free State will not sign in the absence of McGilligan through indisposition, and other Dominions are waiting for United Kingdom's decision. Your telegram under reference was communicated to Guthrie in Paris who suggested that signature be deferred until later date.

296.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 8 London, January 27, 1932

SECRET. My telegram 31st July, Circular B.94. Cabinet have now considered the question of signature on behalf of the United Kingdom of the Convention to improve the means of preventing war as drawn up at the last Assembly. This differs in certain respects from draft prepared by the League of Nations Committee in May last and particularly having regard to changes which have been made doubts have been expressed as to the desirability of signature on behalf of this country from defence point of view. Apart from this it will be recollected that it was contemplated that if Convention were accepted on behalf of the United Kingdom, ratification would be dependent on the coming into force of a general disarmament convention, and as a matter of general principle it does not appear desirable to sign Treaty when we have doubts as to its eventual ratification. In the circumstances we have reached the conclusion that the United Kingdom should not sign or accede to the Convention before the results of the forthcoming Disarmament Conference are known.

297.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 7 Geneva, January 29, 1932

At meeting of Council this afternoon, Friday, China invoked application of Articles X and XV in addition to Article XI on the grounds that dispute is likely to lead to an immediate rupture between China and Japan. The Secretary-General asked the Chinese and Japanese representatives for full

statement of their case and promised to notify Council tomorrow what further action he would take to obtain all relevant facts. The President requested to impress their Governments the extreme gravity of the situation.

298.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 5 Tokyo, January 30, 1932

IMMEDIATE. SECRET. The situation in Shanghai is extremely serious. The British Ambassador considers that Japanese action is indefensible. My own opinion is somewhat less emphatic but Japanese action has been taken too far. The British and United States representatives are cooperating but no joint representations have been made. I would suggest caution on part of Canadian delegates if the situation is referred to the League of Nations Assembly under Article 15. It would be unwise for Canada to adopt too decided stand especially if the League of Nations again intends to avoid enforcing its decisions. A strong expression of opinion, in such a case, would not serve our interests in Japan where up to the present we are considered entirely neutral. I suggest that the attitude of Great Britain and the United States Governments be ascertained and communicated to me. Message ends.

299.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 8 Ottawa, February 2, 1932

IMMEDIATE. SECRET. With reference to your telegram of the 30th January, No. 5. The situation has been rendered extremely difficult by action at Nanking and Shanghai. Great Britain and United States have protested against use of International Settlement as base of operations in the strongest terms. Press summaries have sufficiently indicated their general attitude. With regard to League of Nations action, present indications are matter will not be referred to Assembly but will be dealt with by Council. Force of your representations is recognized but situation may develop where necessity of observance of international engagements will become of overruling importance. At the present stage we do not consider it necessary to make any representations to the Japanese Government. Ends.

300.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 6 Tokyo, February 3, 1932

IMMEDIATE. SECRET. The situation is extremely grave.

The outcome depends on decision of the Japanese Government with reference to five demands presented yesterday by British, United States and French Ambassadors. The fifth demand, which concerns appointment of neutral observers, has already been refused; Government now discussing other four points with Prince Saionji. The British Ambassador is doubtful of acceptance in which case he believes if Japanese advance further Article 16 of the Covenant of the League of Nations will immediately apply and a state of war will then exist. I personally believe compromise will be found, nevertheless I cannot disguise fact that Japanese pride may make this impossible. Can you inform me how far the United States will be prepared to go in the event of Japan making further advances? I also desire instructions as to course of action I should pursue in the event of Japanese refusal to accede to representations of other Powers. Ends.

301.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 9 Ottawa, February 4, 1932

IMMEDIATE. SECRET. With reference to your telegram of the 3rd February, No. 6, we share your hope that mediation of British, United States and French Governments will result in solution. His Majesty's Government in Canada are not in position to give any intimation as to the future policy of the United States. Unofficial opinion and the press indicate increasing resentment there against Japanese policy but public opinion does not appear to support a policy of sanctions in any indirect dispute at present. With regard to your own course we do not consider any action necessary at the present time and shall await further developments before sending any instructions. Ends.

302.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 13 Geneva, February 19, 1932

Council decided tonight refer Sino-Japanese dispute Assembly March third accordance Article fifteen. Legal objections Japan to this convocation unani-

mously rejected on unanimous advice Committee eight jurists. Council unanimously appealed Japan defer expiration ultimatum. Japanese representative agreed transmit appeal only provided Armistice should be strictly observed both parties. Request China for Council to take conservatory measures was held to be impossible as they could only be taken with consent parties.

303.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 13 Ottawa, February 27, 1932

Following for Sir George Perley. Begins. Your telegram February 25th regarding special Assembly. We are asking you and Dupré to act as Canadian representatives. We expect you to use your own judgment as to the wisdom of participating in the general debate in the Assembly. Any statement made by Canadian delegation should indicate that we believe it to be the opportunity and duty of the Assembly to register the hope of the nations of the world that the good understanding between nations upon which peace depends will be speedily restored. The convocation of the Assembly will enable the organized public opinion of the world to find formal expression. The Canadian Government believe that in the first instance, in any case, the Special Assembly should not scrutinize too closely Article 15, paragraph 10, for a definition of its functions and authority but should regard itself as an instrument through which the common concern of mankind for the maintenance of peace can make itself felt. We consider that the task of the Assembly is not to assess responsibility or propose punitive measures but to carry out as effectively and vigorously as possible the mediatory and preventive functions of the League. Canada, which faces across the Pacific the two members of the League which now unfortunately find themselves opposed, and whose obligations under the Covenant are confirmed by the signature of the Nine Power as well as the Briand-Kellogg Pact, is particularly concerned in the maintenance of peace. Recent developments have made clear that further study of immediate causes of conflict is not the most urgent or profitable task and attention should, we think, be concentrated on an endeavour to effect an armistice. We are not without hope that a unanimous appeal by the Assembly to both members of the League and a proposal to utilize the Special Commission, which is about to reach Japan, will prove effective.

2. It is not the duty of the Assembly to sit as a court of review on the Council's conduct of the negotiations with the parties to the dispute. Nor does it seem advisable that specific reference should be made to any aspect of the interchange of arguments between Japan and the twelve members of the Council except to endorse the latter's assumption, in point 5 of their note of the 16th February, that the Members of the League would not recognize as

valid and effectual any infringement of the territorial integrity or change in the political independence of any Member of the League brought about in disregard of the undertakings given in Article 10.

3. For your own information and guidance I may say that it does not appear advisable to discuss at the present stage the possibility or desirability of bringing economic or military pressure to bear on either country if continuing military action. Recent developments go far to confirm traditional Canadian doubt as to value and practicability of sanctions provisions and in present case difficulty of acting without cooperation of the United States, which was contemplated when the Covenant was signed, and particularly the heavy responsibility which would fall upon Canada under Article 16 in view of its position on the Pacific, require special consideration. It is, however, not possible to rule out consideration of action under the Covenant in case of breakdown of efforts for peace, and on this account and because it appears desirable to allow the States which have hitherto emphasized sanctions in the abstract in Europe to show their hand, we do not think it would be well to express a view on this subject at present.

4. Representations made today by Japanese Minister here and at other capitals while ostensibly designed to explain reasons for despatching additional troops and while emphasizing common interest of all foreign powers in averting danger of Chinese attack on International Settlement indicated more readiness than observed hitherto to consult as to situation possibly through local Shanghai representatives.

5. I may add, for your information, that while informed by the British Government on each occasion of the action it has taken, there has been no prior consultation at any stage during the recent dispute. We should like to be kept in close touch with developments and trend of opinion.

304.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 8 Tokyo, March 1, 1932

IMMEDIATE. SECRET. In regard to discussion of Shanghai problems by the League of Nations Assembly, I would advise that situation here is still one of extreme difficulty and that outcome is most obscure.

Action of Japanese at Shanghai would, it is true, justify application of sanctions under the Covenant of the League of Nations. In view of all the circumstances, however, I am of the opinion that the application of sanctions should not be considered and certainly not advocated by Canada. Consequences of most serious nature might result from application. It would be distinctly better for Assembly, before proceeding to any resolution or decision, to declare definitely that, without prejudice to the future, the present

occasion is not one in which sanctions will be invoked. Such a declaration will facilitate an agreement ending hostilities, and it will also bring public opinion here nearer to normal and enable further negotiations to proceed on a rational basis. This is not possible at present owing to inflamed and misdirected public opinion. Therefore it is hoped that speeches of our delegates will be of the most moderate character.

Subject to the foregoing, and having in mind great importance to Canada and its future in this area of maintaining the principles and prestige of the League of Nations, with all respect I am reluctantly obliged to say that the action of Japan at Shanghai should be censured and should not be condoned by the League of Nations Assembly. If Canada takes part in vote of censure, however, there is no doubt that our trade with Japan will suffer. Message ends.

305.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 11 Ottawa, March 2, 1932

IMMEDIATE. SECRET. Your telegram 1st March, No. 8. Secret. The Government share your views of the gravity of the situation in the Orient and appreciate your estimate of probable effect on Canadian trade of participation in Assembly action which might be unacceptable to the Government of Japan.

Our delegation to the Special Assembly has been instructed to endorse mediatory measures taken by Council including note to Japanese Government of February 16th. We regard Assembly primarily as mobilization of world opinion for maintenance of peace and hope that continuance of preventive and conciliatory efforts will effect settlement of dispute. We would be reluctant to resort to application of economic sanctions but do not consider that Assembly could announce in advance an undertaking to refuse to apply them in the case of continued breakdown of pacific methods. Ends.

306.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 24 Geneva, March 4, 1932

Assembly of the League of Nations tonight Friday adopted unanimously (Japan included) by roll call following Resolution[1]: Assembly of the League

[1] Résumé seulement. [1] Summary only.

of Nations, without prejudice to other measures envisaged by Council 29th February, 1. Calls upon China and Japan to take immediately measures to ensure effective cessation of hostilities on both sides. 2. Requests the other Powers at Shanghai to inform the Assembly of the League of Nations of the execution of that. 3. Recommends that negotiations be entered into by China and Japan with the assistance of the other Powers mentioned above for conclusion of arrangements which shall render definite cessation of hostilities and regulate the withdrawal of Japanese forces.

Proposal of Japanese representative that the withdrawal of the Japanese forces be subject to conditions, by which he meant security and protection of lives and property of Japanese nationals, was rejected.

Assembly of the League of Nations will meet again tomorrow morning Saturday and afternoon.

307.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 25 Geneva, March 6, 1932

Following from Sir George Perley for the Prime Minister. Begins. Debate in Assembly proceeding slowly in the hope that the situation at Shanghai may improve and actual armistice be put into force. So far only small Powers have spoken but British Foreign Secretary speaking Monday. Without attempting to assess responsibility for cause of unfortunate conflict it seems evident that Japan has not only broken Covenant by occupying large area around Shanghai but has made serious blunder in so doing. If I should take part in debate would you like me to say something on those lines in temperate but definite words? I think the feeling is growing here that the Assembly may consider Resolution to some such effect as above. In that case hope you will approve of our voting for same. Ends.

308.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 15 Ottawa, March 7, 1932

IMMEDIATE. Following for Sir George Perley. Begins. Reference your telegram No. 25, March 6, my telegram No. 13, February 27. We believe policy embodied in the Assembly Resolution of 4th March offers best hope of settlement and that further action on the part of the Assembly should depend on the manner in which the parties to the dispute carry out its

provisions. The strength of this resolution lies in the unanimity achieved by the Members of the League. We are strongly of the view that in determining the further steps to be taken every effort should be made to maintain this unanimity.

If the mediatory efforts of the Assembly fail, it will become necessary for the Government of each Member of the League to consider whether the Covenant has been broken, a duty which under Articles 10 and 16 rests upon the Governments severally, rather than upon the Assembly or the Council as a whole. A statement at the present time by a Government representative that Articles 12, 13 or 15 of the Covenant had been broken would involve undertaking to apply immediate sanctions of Article 16 and would appear inadvisable.

While recognising that present position would not have developed unless each of the parties believed it had certain rights in the questions at issue, it still remains the essence of the Covenant and other solemn undertakings, which must be maintained, that such rights shall not be asserted by force of arms. It would as previously noted be advisable to reaffirm the Council's position that any infringement of the territorial integrity or independence of a Member of the League brought about by disregard of such obligations could not be recognised. Ends.

309.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 12 Ottawa, March 11, 1932

IMMEDIATE. SECRET. With reference to our telegram No. 8, Canadian delegation at Geneva were instructed to avoid any attempt at present time to pass judgment upon the rights in dispute or to make any reference at this stage as to whether Covenant had been broken or whether sanctions were applicable. The speech of Sir George Perley on the 8th March, which was well received, emphasizes following points:

1. The necessity of stopping further bloodshed and of bringing about real effective armistice;

2. The distinction between right of case and manner in which these rights were realized and enforced;

3. The desirability of affirming fundamental truth that no infringement of territorial integrity and change in political independence of member of League brought about by force in disregard of undertakings of Article X could be recognized as valid and effective by the other members of the League.

The latter statement is quoted from Council note of the 16th February. This statement is connected by Associated Press report with Stimson's note

of January 7th but no reference was made by Perley to Stimson's note. You are authorized to report actual statement as set forth above if Associated Press or other cables to Japan convey any material representation of Canadian statement at Geneva differing from above or if any question is raised by Japanese Government. I have had informal discussion with Japanese Minister here. Of course, we realize that question of what *status quo ante* really was is in dispute and understand that Japan urges necessity of considering all treaties and engagements made by China. Ends.

310.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 30 Geneva, March 11, 1932

Resolutions adopted unanimously by the Assembly this afternoon, Friday, affirming principle of non-recognition of situation brought about by means contrary to the Covenant and Pact of Paris; principle of withdrawal of troops should precede settlement; obligation for Assembly to apply Article XV to whole dispute. Set up Committee of 19 to follow execution of Council and Assembly Resolutions and report progress to the Assembly at the latest May 1st. Chinese and Japanese representatives abstained from voting, the former for lack of instructions, the latter on the grounds of inapplicability of Article XV.

311.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 46 Geneva, April 30, 1932

Special Assembly meeting this morning, Saturday, adopted a Resolution and then adjourned *sine die*. The Chinese delegation accepted Resolution "as a whole". The Japanese abstained from voting.

By its Resolution, Assembly notes that Articles of draft Armistice which have been accepted by the two parties are in conformity with the spirit of past Assembly Resolutions. The Assembly notes in particular that Japanese Government undertakes to carry out withdrawal of its forces in the International Settlement; declares it is in accordance with the spirit of Resolutions of the 4th March and the 11th March that this withdrawal should take place

in the near future; declares Resolution of the 4th March will only have been fully complied with when Japanese forces have been entirely withdrawn; notes power of Joint Commission provided for in draft agreement, and finally points out that unless a conclusion is reached as laid down in Resolutions of the 4th March and the 11th March the question will necessarily come up again before Assembly.

312.

La légation au Japon au secrétaire d'État aux Affaires extérieures
Legation in Japan to Secretary of State for External Affairs

TELEGRAM 32 Tokyo, September 15, 1932

Protocol marking *de jure* recognition of Independent State of Manchukuo was signed today at Changchun by Japanese Envoy Extraordinary and the Manchurian Prime Minister. Particulars are being sent by despatch.

313.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 94 Geneva, September 24, 1932

My despatch of the 18th August. Special Assembly is not likely to consider Sino-Japanese dispute before December owing to the request of Japan for six weeks delay after publication of Lytton Report which today, Saturday, was reluctantly agreed to by Council.

314.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 125 Geneva, November 5, 1932

Your telegram 4th November, No. 58. My despatch 15th October was despatched in bag No. 39, October 17th. It is now thought that discussion of Lytton Report is likely to occupy Council for a week or more. It seems likely that Committee of Nineteen will not meet before 1st December probably some time between 1st December and 15th December. Special Assembly not before the New Year.

315.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 62 Ottawa, November 24, 1932

Your telegram this date (Nov. 23?) refers to possibility of meeting of Assembly to deal with Manchurian situation on Thursday December first. Has there been mistake in transmission? Proposal to summon Assembly on such short notice appears extraordinary and we understood from your previous forecast that Assembly would probably not meet until January.

316.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 139 Geneva, November 25, 1932

Your telegram of the 24th November, No. 62. Transmission of my telegram correct. It is now considered probable that Assembly will open early in the week of 5th December, exact date likely to be announced during meeting of Committee of Nineteen which it is now thought will meet on the 29th November or 30th November. The earlier date now considered likely is based on the assumption that Committee of Nineteen will immediately refer the question to the Assembly.

317.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 82 Ottawa, December 2, 1932

IMMEDIATE. CONFIDENTIAL. Following for Mr. Cahan. Begins. The Government has been giving consideration to the necessity of representation at the Special Assembly which is to meet at Geneva on December 6th to consider the Chinese-Japanese dispute with special reference to Manchuria. I should be obliged if you could arrange to represent Canada at this Assembly with Riddell as substitute delegate.

2. It appears desirable that the Assembly should first exhaust the possibilities of conciliatory settlement under paragraph 3 of Article 15. Any discussion of sanctions or action against a party unwilling to accept settlement

would be out of place at this stage. The Assembly will probably deal first with the report of the Lytton Commission, which was appointed for the definite purpose of "studying on the spot and reporting on any circumstance affecting international relations which threatens to disturb peace between China and Japan or the good understanding between them on which peace depends". The Commission is a purely advisory body but the presentation of its report will enable the members of the League, through their representatives at the Assembly, to indicate how far they consider (a) its findings of fact correct and (b) its recommendations as affording a feasible basis of settlement of the dispute. As to its findings of fact, the subsequent discussion in the Council does not appear to have impugned in any substantial degree its fairness and accuracy, and the Assembly could probably accept these findings as the premises of its action, even if it does not base upon them the particular recommendations made by the Commission. The Commission, as you are aware, lays down certain general principles or conditions of an enduring settlement including (1) compatibility with the interests of both China and Japan, (2) conformity with Covenant, Pact of Paris, and Nine Power Treaty, (3) recognition of Japan's rights and interests in Manchuria, and (4) international cooperation in Chinese reconstruction. In conformity with these principles the Commission recommends (1) that China and Japan be invited to discuss solution of dispute on these lines, (2) that Chinese sovereignty over Manchuria be recognized but Manchuria accorded large measure of autonomy, (3) that treaties be made between China and Japan providing for protection of Japanese interests there, for permanent commercial relations between Japan and China, in general, and for procedure for adjusting future differences. Possibly as to last point permanent body on lines of our International Joint Commission might be considered. These principles appear to constitute the framework of a permanent settlement. Their detailed application would depend on the development of the situation, but, on the whole, the recommendations appear useful and reasonable.

3. It is very desirable that Japan should not take up irrevocably a position of isolation and hostility to the League, and I trust that with reasonable patience it will be possible for the League to work out a settlement which Japan can see its way to accept. If Japan indicates any genuine readiness to seek a solution consistent with League obligations as well as her own special interests in Manchuria, it would be undesirable to make such a settlement difficult by precipitate action. At the same time further delay without any clear evidence of readiness to cooperate would be most unfortunate.

4. Foregoing summary of our present attitude is meant for your guidance. It would appear advisable to defer any statement in Assembly until question can be further considered. We recognize that the situation at Geneva will be materially affected by the statements of policy by the Great Powers and any alteration in the attitude of the two parties to the dispute. We should therefore like to be continuously informed of developments.

5. If, as appears likely, the United States and Russia should be asked to cooperate with Committee of Nineteen or with other special committee of the Assembly, the Canadian Government would have no objection to such a step.

6. You will have in mind statement made in Special Assembly last spring by Sir George Perley, and resolution adopted by that Assembly, including provision for non-recognition of territorial changes effected by force.

7. Copy of this telegram will be sent to Canadian Advisory Officer, Geneva. Bennett. Ends.

318.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

DESPATCH 396 Ottawa, December 2, 1932

Sir,

I have the honour to transmit, herewith, for your information, a copy of telegram No. 82 of the 2nd December to the Secretary of State, who is, as you are aware, at present in Paris, notifying him of his appointment as Canadian delegate to the forthcoming Special Assembly of the League of Nations and setting forth, in a general way, the views of the Canadian Government on the questions that the Assembly must consider.

It would be helpful if you could arrange a meeting with Mr. Stimson to talk over, informally and confidentially, the issues presented by the Report of the Commission of Enquiry with which the Assembly will have to deal. Apart from these questions of substance, there are certain matters of procedure on which it would be of interest to learn the views of the Government of the United States. It is generally believed that the Special Assembly, after receiving the views of the States members of the League in plenary session, will find itself compelled either to reconstitute the Committee of Nineteen as a draughting Committee which would collate and interpret the opinions expressed in the Assembly and formulate a policy for presentation to the Assembly or to set up a conciliation commission with which it would be desirable to secure the association of the United States of America and, probably, of the U.S.S.R. The feasibility and usefulness of this second alternative would, of course, depend on the progress realized in the Assembly discussions. If the Japanese Government does evince a genuine desire to cooperate in working out a satisfactory solution of the dispute, it is felt that every opportunity for a peaceful settlement within the general framework of the Lytton Report should be patiently explored.

You will use your discretion in determining how far it may be necessary or helpful to read to Mr. Stimson the terms of the enclosed telegram. He will understand the Canadian Government's lively interest in a matter which

directly affects the maintenance of peace in the Pacific and indirectly may influence the good understanding between the United States and His Majesty's Government in the United Kingdom.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

319.

Le ministre aux États-Unis au sous-secrétaire d'État aux Affaires extérieures
Minister in United States to Under-Secretary of State for External Affairs

SECRET Washington, December 6, 1932

Dear Dr. Skelton,

I am replying personally and confidentially to your Despatch No. 396 of December 2nd and your letter of December 2nd, since the Secretary of State has asked me to regard his communication to me this morning as private and confidential to the Prime Minister.

Although he was obviously in the midst of the most anxious deliberations over the debt and kindred questions, Mr. Stimson made a special point of seeing me. I told him the purpose of my visit, and as the only sensible way to open the subject appeared to be to read your instructions to Mr. Cahan, I read them to him. I then said that the Prime Minister would like him to know privately and confidentially what the Canadian Government was doing and would appreciate any comments he might care to make on the present situation at Geneva. I shall attempt to summarize Mr. Stimson's remarks. He said:

1. In the first place, that your instructions to Mr. Cahan were in keeping with his general attitude toward the Sino-Japanese problem;

2. that the United States position has not changed in any way, and he wholly discounted what he called the suggestions from certain quarters that it had done so;

3. that the Lytton Report is a complete vindication of the position of the United States, and that it has brought into the open many facts of which the United States, as the result of the previous investigations, had knowledge;

4. that the Administration's present inaction resulted from its desire to avoid any complaint by Japan that the United States was "butting into" League affairs and attempting to influence its deliberations;

5. that the Administration has always been and still is anxious to cooperate in any way; and that the State Department has no objection whatever to the suggestion that the United States sit in with Russia on any conciliation committee—either that of the Committee of Nineteen or some other appointed for the same purpose;

6. that Japan was "digging in" in Manchuria, and was therefore playing for time. Apparently there is in his mind a feeling that she may bluff the great Powers into unwise postponement of their judgment by suggesting to them that Japan is in a most volcanic state and ready to blow up in face of any proclaimed opposition to her present policy. As Mr. Stimson puts it, Japan may say: "Look out, or we will have an explosion!" Although he did not say so, I fancy that in his view the United Kingdom is laying over-emphasis upon the possibility of Japan, despite the efforts of her pacific advisers, breaking out again unless she is dealt with in the most lenient and kindly fashion;

7. He intimated that for the purpose of achieving some kind of stability in the situation and as an assurance against arbitrary action on the part of Japan, the United States fleet was at Hawaii, and, although Japan had had the "nerve" to suggest it should be moved elsewhere, was going to stay there. If Japan did not like it, "she could go plump to hell".

As I was going, Mr. Stimson told me that he had spoken in strict confidence and with the utmost frankness. He seemed pleased when I suggested that I might come back at a later date if I had anything to say which would justify my intrusion upon his time.

Yours sincerely,

W. D. HERRIDGE

320.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 151 Geneva, December 7, 1932

From Mr. Cahan to the Acting Prime Minister. Begins. Representatives of all the Great Powers have spoken today. Sir John Simon stressed final paragraph of Lytton Report that mere restoration of former status of Manchuria will afford no satisfactory solution. Sir John urges me to make short address, and I propose to go over my draft with him tonight, and make short address tomorrow on the lines of the Prime Minister's last cablegram unless I receive instructions to the contrary. Ends.

321.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM Ottawa, December 7, 1932

Following for Mr. Cahan from the Acting Prime Minister. Begins. See no objection to your making address on lines indicated in your cable No. 151. Ends.

322.

Le Conseiller au secrétaire d'État par intérim aux Affaires extérieures
Advisory Officer to Acting Secretary of State for External Affairs

TELEGRAM 153 Geneva, December 9, 1932

From Mr. Cahan to the Acting Prime Minister. Begins. Assembly on Thursday was addressed in the forenoon by the delegates of nine smaller States including Cahan and Bruce of Australia, the two latter expressing views consistent with the views of Sir John Simon and previously approved by him. Afternoon Session taken up by final address of the delegates of China and Japan. . . .

Today Assembly will probably refer the whole controversy back to the Committee of Nineteen for consideration and report to an adjourned meeting of this Special Assembly.

PERSONAL: Expect to go to London early next week, at the Prime Minister's request, to meet him there. Ends.

323.

Le Conseiller au secrétaire d'État par intérim aux Affaires extérieures
Advisory Officer to Acting Secretary of State for External Affairs

TELEGRAM 154 Geneva, December 9, 1932

Following from Mr. Cahan to the Acting Prime Minister. Begins. Assembly this afternoon, Friday, unanimously adopted Resolution requesting Committee of Nineteen to study Lytton Report and also all opinions and suggestions expressed in Assembly debates, then to draw up proposals with a view to settlement of the dispute and to submit their proposals to the Assembly at the earliest possible moment.

Appointment of Avenol to succeed Drummond on the 1st July as Secretary General of the League confirmed.[1] Assembly suspended Session to meet later at the call of the President. No action taken to appoint representatives of the United States and Russia upon Committee of Nineteen. Ends.

324.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 65 Ottawa, December 10, 1932

Your telegrams No. 153, 154 and 155 received. Please cable us summary Mr. Cahan's address to Assembly.

325.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 158 Geneva, December 11, 1932

Your telegram No. 65, December 10th. Mr. Cahan first referred to Canada's amicable relations with both China and Japan. He said that paramount position and authority of the League is fully affirmed by the fact that the two great peoples now appear before and appeal through this Assembly on the ground of political justice and fair equitable dealings to the moral consciousness and intelligent opinion of the whole world.

He then referred to the fact that Nine Power Washington Treaty had been signed by Canada, and quoted Secretary of State Stimson's letter of the 24th February last to the effect that it was not intended to "assure to all the Contracting Parties their rights and interests in and with regard to China" and that Treaty did not purport to diminish or terminate Japan's then existing rights and interests in and in respect to China. The Chinese Government under that Treaty was not at liberty to encourage attempt at intimidation against the citizens of any State which is party to that Treaty, nor to abrogate existing treaty rights by unilateral action. In our law we affirm as an invariable maxim of good conduct that he who seeks equity must do equity. He then quoted extracts from Sir Austen Chamberlain's letter of the 8th February, 1927, from the *Official Journal* of the League for that year, as evidence of China's provocative act, but affirmed that if the Japanese Government felt impelled to deal suddenly and temporarily with similar

[1] Voir les documents 255 et 257. [1] See Documents 255 and 257.

conditions in great emergencies, it would now be impossible to justify the development, out of its own emergent action, of a permanent occupation of any part of a neighbouring State, or permanent extension of its own territorial rights.

He then suggested that in the case of differences of opinion as to proper constructional terms of the Covenant the League might seek advice of the Permanent Court of International Justice.

Then he reviewed Canada's contention as to proper interpretation of Article X of the Covenant and remarked that it was only as against "external aggression" that the Members of the League of Nations undertake to respect and preserve territorial integrity and existing political independence of all other Members of the League of Nations. In applying Article X to the present issue care must be taken not to establish a precedent which in the future may be deemed to exceed terms of this Article as already construed by competent authority.

In attempting a solution of these difficulties and delicate problems it appears to the Canadian Government desirable that Assembly should first exhaust possibilities of conciliatory settlement under paragraph 3, Article XV. Any discussion of sanctions or action against a party unwilling to accept settlement would be out of place at this stage.

Mr. Cahan then incorporated the terms of the Prime Minister's instructions.

Then concluding he said that if the United States of America and Russia were asked to co-operate with the Committee of Nineteen or with some other Special Committee of the Assembly, Canadian Government would endorse the adoption of such a procedure. Above all we desire permanent reconciliation and agreement of our two friendly neighbours, China and Japan, and continued cooperation of both as Members of the League of Nations in fulfilling its paramount purpose of preserving peace of the world. Full text of address already mailed.

326.

Le sous-secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Under-Secretary of State for External Affairs to Minister in United States

PERSONAL AND CONFIDENTIAL Ottawa, December 12, 1932

My dear Mr. Herridge,

With reference to the Assembly's action on Manchuria, I am enclosing copies of two telegrams from Geneva on the subject. In telegram No. 153 of the 9th December, Mr. Cahan made a brief but significant interpretation of his own speech and devoted the rest of the telegram mainly to a statement of the Japanese reply to China.

We telegraphed on Saturday, asking for a summary of Mr. Cahan's speech. I enclose telegram No. 158 of the 11th December which we received in reply. It is somewhat more balanced than the press and other reports would indicate, but is probably somewhat expurgated.

I met the Japanese Minister yesterday, and was warmly thanked for the attitude the Canadian Government had taken at Geneva. I did not refuse to accept his thanks, thinking we had better keep at least one friend for the time being, but remarked that there had been very little in the Canadian press on the speech. Mr. Tokugawa replied that the Japanese delegation in Geneva had cabled him at length on the subject. Our little Chinese Consul-General, on the contrary, was very much disturbed. Following a conversation, he has written a letter in accordance with a telegram from the Chinese Ministry of Foreign Affairs, protesting against "the deliberate attack on China and her National Government." Mr. Li Tchuin added—

> He even went so far as to question China's qualification for being a member of the League. Although the delegate declared it as his personal opinion, he said he believed his government was in accord with him in this respect. Our Ministry of Foreign Affairs, in consideration of the traditional good relationship between Canada and China, deems such utterances of the Canadian Delegate as the most unexpected. The people in China on learning of such informations are in a state of great indignation.
>
> Under instructions, I have been approaching you to enquire whether the opinions expressed by the Canadian Delegate are in accord with those of his Government. In the affirmative case, it would be most unfortunate that I should have to protest on behalf of our Ministry such occurrence. If it not be the case, then some sort of denouncement would be necessary.

We shall of course not be able to disavow our representative, and shall endeavour to pass over the incident, but I would not be altogether surprised to see an anti-Canadian boycott.

Sir George is inclined to leave the whole matter to the Prime Minister to deal with when Mr. Cahan reaches London early this week.

Yours sincerely,

O. D. SKELTON

327.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

PERSONAL AND CONFIDENTIAL Geneva, December 13, 1932

My dear Dr. Skelton,

On receipt of your cablegram No. 65 on Sunday, we cabled you a summary prepared by Mr. Cahan of his speech in the Special Assembly.

On Mr. Cahan's arrival I gave him a copy of the instructions that had come to me, and said that they seemed to cover the ground very well, as I felt that the chief task of the Assembly was to try to uphold the new system of peaceful settlement of international disputes and to convince the parties, and especially Japan, that their methods of settling disputes were out of date. I also told him of your telegram No. 63, which stated that "the full and frequent reports from the Advisory Office on developments of Disarmament and Manchurian questions have been appreciated by the Government which desires to be kept continuously informed of the progress of the negotiations". Mr. Cahan said, however, that as he was the delegate to the Assembly, he would keep the Government informed on the Sino-Japanese dispute, and I could report on the question of disarmament.

On first going over the instructions, Mr. Cahan seemed doubtful whether he would speak at all, remarking that if he spoke he would have to express his own opinions. I pointed out that I did not see how he could overlook the instructions and that sometimes one had to suppress his own personal views.

Mr. Cahan finally got his speech into shape the evening before he had to deliver it, and on coming back to the office from the Assembly, he said that he regretted that he could not show it to me, as he wished to take it with him to show Sir John Simon, with whom he was dining. My first opportunity of seeing it, therefore, was when he came in the next morning before going to the Assembly. My hurried reading of it convinced me that there were a number of things that might better not be said. Mr. Cahan, however, was not prepared to make any changes. He was very nice about it, but said that he was quite prepared to take all the consequences of his statements, emphasising at the same time the fact that he had incorporated the instructions in his speech.

I think that, if I had been shown the speech earlier, I might have been able to smooth out some of the passages that seemed to make many people think that we were taking sides with the Japanese.

Seeing that I was only a substitute delegate and a Government official, I suppose that Mr. Cahan felt that I should not interfere in the matter.

There are two schools of thought here. One holds that Japan should be made to feel that, in spite of all she has said, her methods in Manchuria are not the recognised methods of the year 1932, that the Lytton Commission was a fact-finding Commission and apparently has done its work very well, and that the facts should be recognised and accepted by the League. Then there is the other group, who think that, if you say anything at all, you will offend Japan and she will defy all international organisation and opinion.

Personally, I think that our telegraphed instructions met the situation very well, and I believe that the action of the Assembly should be such as to make it clear to Japan that her justification of her actions in Manchuria cannot be accepted.

The speech, as I pointed out in my letter of 10th December, caused some disappointment here. In fact, it was considered highly pro-Japanese. Mr. Norman Davis, when I saw him to-day, told me that he had been somewhat perturbed by the statement of our Foreign Secretary in the Assembly (no doubt thinking that our Secretary of State corresponded to the Secretary of State in the United States). I reminded him that the Prime Minister was our Secretary of State for External Affairs, and that Mr. Cahan had made it clear in his speech which part contained his personal opinions and which included his instructions from the Government. Mr. Davis seemed to appreciate this explanation, and said that he had not been able to understand why our attitude should be so different from theirs. Mr. Wilson, the United States Minister at Berne, who came in while I was with Mr. Davis, said that he also had been very much upset by the Canadian delegate's speech.

Yours sincerely,

W. A. RIDDELL

328.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

DESPATCH 220 Tokyo, December 19, 1932

Sir,

Might I with all respect express my very deep satisfaction at the manner in which the Honourable C. H. Cahan, M.P., as representing the Dominion Government, presented the Canadian viewpoint at the recent meeting of the League of Nations.

Mr. Cahan's presentation has been most favourably commented on in Japan, and many of the foreign envoys here have expressed the opinion that it was the best presentation and declaration made at the recent meeting of the League.

Mr. Cahan's declaration expresses my own personal views, particularly when he says that neither China nor Japan should be judged exclusively by western standards. Also, when he says "All methods of conciliation should be exhausted and there should be no idea of imposing sanctions".

Naturally we have a very brief report as to Mr. Cahan's declaration. I would be very glad indeed to have the full text of it, should you think proper to send it forward.

I have etc.

HERBERT M. MARLER

329.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

PERSONAL AND CONFIDENTIAL Ottawa, December 24, 1932

My dear Dr. Riddell,

I wish to acknowledge your letter of the 10th December transmitting the verbatim report of the Special Session of the Assembly containing the full text of Mr. Cahan's speech on the 8th December, which was summarized in your telegram No. 158 of the 11th December. While the cabled summary of the speech appeared to indicate a marked departure from the instructions contained in the Prime Minister's telegram No. 64 of the 2nd December, the Acting Prime Minister considered it advisable that no comment should be made before the full text was received.

The impression created by the various press reports of the speech, e.g., in the Associated Press despatches which were carried by the Canadian Press, the *Journal de Genève,* and the London *Times,* was that the Canadian representative had gone out of his way to offend Chinese susceptibilities and buttress the Japanese position. It was the currency of these press reports that led us to ask for a cabled summary of the address. Examination of the address indicates that in the latter part it adhered more closely to instructions than was indicated by the cabled reports. The general effect, however, is distinctly at variance. Fortunately, comparatively little press publicity was given to the first reports of the speech, but I am afraid that unless new developments in the situation distract attention, the question is likely to be raised when Parliament meets.

For your information and future guidance as Canadian Advisory Officer at Geneva, I feel that it is necessary to go into the whole matter in some detail.

You had been informed of the instructions sent to the Canadian delegate to the Special Assembly in my telegram of the 2nd December and were aware of the authorization given him to speak in the sense of those instructions in my unnumbered telegram of December 7th. It is understood that Mr. Cahan had been urged to speak by Sir John Simon who had gone over the draft of the Secretary of State's speech with him and approved of it in advance of its delivery. Parenthetically, I may observe that the useful custom of consultation between Commonwealth delegates at League Assemblies can hardly be continued if it takes the form of submission "on approval" of the views of the Canadian Government to the British Secretary of State for Foreign Affairs. It is, therefore, clear that Mr. Cahan's speech cannot be

regarded as an improvised or extempore effort, but should be considered as a deliberate statement of what must have been believed to be the policy of His Majesty's Government in Canada.

In these circumstances, it must be examined seriatim to find out whether it corresponded with the sense of his instructions and to what extent it departed from those instructions either by addition of matters inconsistent with the general sense of those instructions or by the deletion of any important element from them.

In the first place (page 23/25) it is noted that the delegate, explaining that distance made it difficult to communicate fully with his Government, entered a formal caveat "that the opinions which he was about to express were more or less personal". I think it should always be made perfectly clear to Canadian delegates to the Assembly of the League and to other international conferences that they are in a purely representative capacity, that the views they express will be inevitably ascribed to their Government and should, therefore, be confined to the presentation of the policies which have commended themselves to the Government.

The point of this observation may be illustrated by a reference to the second paragraph on page 26 in which the delegate said that it was doubtful to his mind whether the National Government of China had yet been in a position to comply fully with the conditions of membership of the League of Nations. With the substantial justice of this *obiter dictum* few people would be prepared to quarrel, but, as you will readily appreciate, a casual opinion of this kind, expressed by a representative of a Government in the circumstances in which the Special Assembly were met, may acquire a peculiar and unfortunate significance. I am enclosing, for your information, copy of correspondence[1] on this matter with the Consul-General of China which took place when I had before me only the cabled summary of Mr. Cahan's speech in which no reference was made to the allusion to China's eligibility for membership in the League of Nations.

It may be noted that the references on pages 28, 29 and 30 to the differences between the Government of China and His Majesty's Government in the United Kingdom in 1927 represent a gratuitous and unhelpful addition to the instructions forwarded to the delegate. I do not propose to examine the aptness or the accuracy of the analogy drawn between the conduct of His Majesty's Government in 1927 and the Imperial Chinese Government in 1931. I do not think that Mr. Matsuoka would argue that provocation and reaction were identical in the two cases; and though one need not subscribe to Mr. Quo-tai-chi's remark that "to suggest that the British action affords a precedent of what Japan has done, constitutes a serious libel on the reputation of Great Britain as a civilized power" one may be permitted to wonder how Sir John Simon, who had read and approved the speech in advance, would endorse this particular argument from analogy. I might in

[1] Non reproduite. Voir le document 326. [1] Not printed. See Document 326.

particular add, with special reference to the paragraph at the foot of page 29, that, according to the report of the Commission of Enquiry, the immediate cause of the first Chinese boycott of Japanese goods in 1931 lay in anti-Chinese rioting and persecution in Korea. There was no comparable cause of the Chinese boycott of British goods in 1926 and 1927 which had been generally attributed to the influence of Communist propaganda in China.

The consideration in the succeeding paragraphs on pages 30 and 31 of an hypothetical application of the provisions of Article 10 of the Covenant was hardly compatible with the instructions that "any discussion of sanctions or action against a party unwilling to accept settlement would be out of place at this stage", nor did it advance the prospects of a settlement by conciliation which the Canadian Government hoped to see established. The history of the efforts to amend and interpret the offending Article is familiar; its recitation at this juncture could only have the effect of undermining the structure of the League by raising doubts as to the spirit in which the Canadian Government construed its obligations under the Covenant. I need not remind you that the problem of guarantees and security is essentially a question of high policy—that cannot be determined by the niceties of juridical construction. The suggestion that such problems should be referred to the Permanent Court of International Justice for advisory opinions is, of course, mischievous, and, if followed up, dangerous.

The Prime Minister's telegram to Mr. Cahan of 2nd December stated, in reference to the report of the Commission of Enquiry:

> As to its findings of fact, the subsequent discussion in the Council does not appear to have impugned in any substantial degree its fairness and accuracy, and the Assembly could probably accept these findings of facts as the premises of its action, even if it does not base upon them the particular recommendations made by the Commission.

This passage from the instructions is reproduced in the third paragraph on page 32 of the verbatim report of the delegate's speech with a single verbal change which completely alters its force and implication. It is not necessary to labour the point. To say that the discussions which have taken place do not appear to impugn *except in two instances* the general fairness and accuracy of the Commission's findings of fact can not be construed as a substantially accurate rendering of the policy formulated in the instructions. The gravity of this change is not lessened by the fact that no indication was given as to the identity of the "*two instances*" in which the accuracy and fairness of the Commission had been impugned. From the record the two instances might refer to any of the innumerable criticisms of the report circulated by the Japanese and Chinese Governments, although one might be warranted in believing that one at least of the instances noted refers back to the final paragraph on page 31 in which the delegate said:

> It seems to me that this Assembly may not wholly disregard the emphatic statement made at the opening of this discussion by M. Matsuoka, the delegate of Japan, that the Japanese Government has not at any time allowed themselves to be connected with the independence movement in Manchuria.

If this interpretation were authoritative, the Canadian Government would appear to have repudiated the conclusions of the Commission on one of the fundamental points towards which its enquiries were directed. Any statement which invited such a conclusion seriously misrepresented the views of the Canadian Government as put forward in the Prime Minister's telegram under reference.

In concluding this letter, I wish to draw your attention to a question of form which is, perhaps, not less important than the questions of substance which have already been examined. This aspect of the matter is primarily one of departmental interest for it raises questions which ad hoc representatives at assemblies and international conferences can hardly be expected to appreciate. It may seem at a first glance inconsistent to complain that a representative has in the same speech sinned by commission as well as by omission, but you will understand that, while instructions are sent for the guidance of the representative and should determine the main lines of any official statement made, they are frequently not in a form suitable for direct quotation. They may contain, as did the Prime Minister's telegram of 2nd December, elements which should be included in an appreciation of the situation, which the representative should bear in mind in the presentation of the Government's views, but which should not be explicitly incorporated in a public speech. I have in mind, particularly, the third paragraph of the telegram under reference which reads:

> It is very desirable that Japan should not take up irrevocably a position of isolation and hostility to the League, and I trust that with reasonable patience it may be possible for the League to work out a settlement which Japan can see its way to accept. If Japan indicates any genuine readiness to seek a solution consistent with League obligations as well as her own special interest in Manchuria, it would be undesirable to make such a settlement difficult by precipitate action.

As the context and phrasing make clear the foregoing summary of the attitude of the Government was meant for the guidance of the delegate and could quite properly have been used in confidential conversations with Commonwealth Governments and other League members anxious to bring about a solution. To introduce it into a public statement might have the effect of prejudicing the prospects of the policy our Government had decided to support.

I have no doubt that these considerations were present in your mind at the time and I can understand that it was, perhaps, difficult to secure for them the attention they deserved. It is, nevertheless, important that you as the Permanent Advisory Officer in Geneva, should be in a position to maintain that element of continuity that is frequently lacking in our representation at the Assemblies of the League and to interpret summary instructions in a sense consistent with the general policies of the Government.

Yours sincerely,

O. D. SKELTON

330.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

PERSONAL AND CONFIDENTIAL Ottawa, January 7, 1933

My dear Dr. Riddell,

I am very glad to have your personal and confidential letter of the 13th December, regarding Mr. Cahan's speech in the Special Assembly.

I find that my letter of the 24th December has not yet gone, but I am supplementing it by the present note.

I realize from your letter the difficult position in which you were placed. I think you handled the situation admirably and do not see that you could have done anything more under the circumstances. It is of course primarily the duty of the Government to impress on its representatives the necessity of following instructions. I doubt if the situation which arose in the December meeting of the Special Assembly is likely to occur again, but it may have its uses in emphasizing the necessity of definite instructions to delegates on this point.

For your own information I may say that both the Acting Prime Minister and the Prime Minister were much disturbed by Mr. Cahan's action. Of course it will not be possible for the Government to repudiate a colleague, and if the matter is discussed in Parliament, an effort will doubtless be made to smooth it over.

Special embarrassment was created for us as the result of some discussions which had taken place with the United States. The Prime Minister sent a copy of the instructions to Mr. Herridge, who discussed the situation with the Secretary of State. The Secretary of State went into the whole situation with extraordinary frankness and expressed much pleasure at noting the position which the Canadian Government was taking. When the reports reached Washington of the actual speech made by Mr. Cahan, there was great astonishment in the State Department. Had they not known that we Canadians are simple folk unversed in the ways of diplomatic intrigue, they would have thought we had doublecrossed them. As it was, it was only the good relations which exist between the Canadian Legation and the State Department which prevented considerable irritation developing over the way in which they had been "drawn out". I may add, however, that Mr. Marler has highly commended the address or rather the press summaries which were received in Japan, and that it has met with the complete approval of Mr. Tokugawa.

Yours sincerely,

O. D. SKELTON

331.

Le ministre aux États-Unis au sous-secrétaire d'État aux Affaires extérieures
Minister in United States to Under-Secretary of State for External Affairs

PRIVATE AND CONFIDENTIAL Washington, January 13, 1933

Dear Dr. Skelton,

When I was at the State Department this morning, Mr. Stimson called me into his room.

He is very evidently greatly concerned over the present situation at Geneva. He told me that from that source a report had been broadcast to the effect that the League was going to "lay off" the Manchurian trouble. The reason for this he did not give me, if indeed he knew it; but there is apparently an impression in his mind that the United Kingdom is opposed to any aggressive action of the League. I think I am correct in suggesting that they explain this alleged attitude on the ground that the United Kingdom, harassed by troubles nearer home, does not feel capable of extending itself in respect to the Eastern question; in other words, that the United Kingdom is fearful of becoming involved in a matter which just now it feels incapable of controlling advantageously to itself. This is a little hazy, but it suggests the only explanation I was able to gather.

Mr. Stimson then went on to say there also prevailed an impression that because of the silence of the United States in respect to the Manchurian matter, the policy of the United States had changed. He was at great pains to impress upon me that his policy had not changed, and moreover that his policy, representing as it did the view of the people of this country, was unlikely to change in the future. I afterwards learned from the most reliable authority that Mr. Stimson's forecast of future policy resulted from an interview which he had a few days ago with Mr. Roosevelt, in which the latter informed him that both he and all his advisers were 100 per cent. behind the present Administration in respect to its attitude on the Manchurian question.

Perhaps I should have said that our interview opened with a question from the Secretary as to whether I had heard anything from Geneva, and on my replying in the negative, was followed by the statement that he would be very glad to have any reports which came to me from Ottawa. Before I left him, Mr. Stimson said that any assurance that our representative would in the future adhere more closely to the letter and spirit of his instructions, would be helpful.

This letter, read with mine to you some weeks ago, will give you a pretty clear idea of the President's attitude in the whole matter. It may be that within the next day or so I shall be able to pick up some further information.

Meanwhile, I should like to again assure Mr. Stimson that our policy also remains unaltered and is fully defined in the letter of instructions I read to him.

Yours sincerely,

W. D. HERRIDGE

332.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 5 London, January 21, 1933

SECRET. Following for your Prime Minister. Begins. At a meeting of the Council of the League of Nations on the 25th November, Report by the Committee of Three, appointed to follow up Bolivia-Paraguay dispute, was adopted in which the attention of the Governments was called to the fact that neither Bolivia nor Paraguay themselves produces arms and to the consequent desirability of preventing those States from receiving them from outside.

In the belief that effective action in this sense is very desirable as a means of restricting the scope of this dispute, His Majesty's Government in the United Kingdom have recently had an exchange of views on this subject with the United States Government and now learn that on the 10th January Foreign Relations Committee of the Senate reported favourably Resolution empowering the President "to proclaim illegal the export of arms to such countries as he may designate, after securing the cooperation of such other Governments as he may consider necessary, whenever he finds that there anywhere exist conditions such that shipment of arms might promote or encourage the employment of force in the course of an international dispute or conflict".

His Majesty's representatives at Rome and Paris have been instructed to enquire whether Italian and French Governments would be willing, in the event of Congress passing the necessary legislation and in anticipation of any action that may be taken by the League of Nations, to join His Majesty's Government in the United Kingdom and the United States Government in prohibiting the export of all war material to Bolivia and Paraguay.

His Majesty's representatives have been informed that no action would be expected of European countries until the President of the United States is in a position effectively to prohibit the export from the United States of all war material to Bolivia and Paraguay. The State Department, however, consider that if the French and Italian Governments were to declare their readiness to associate themselves in proposed restrictive action, it would greatly increase chance of favourable action by Congress. Ends.

333.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 18 Ottawa, February 2, 1933

SECRET. Reference your telegram Circular B.5 of 21st January, 1933. His Majesty's Government in Canada are prepared to join with His Majesty's Government in the United Kingdom and other arms manufacturing countries in prohibiting the export of all war material to Bolivia and Paraguay. We have power to do so under Customs Act.

334.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

CONFIDENTIAL Geneva, February 14, 1933

My dear Dr. Skelton,

I enclose a copy in French of Part IV of the Report of the Committee of Nineteen,[1] prepared under Article XV paragraph 4 of the Covenant. As soon as an English copy is available I shall send it to you.

At a dinner last evening given by Sir Eric, he told me that the situation between China and Japan was very serious, and he thought that it would not be long before China declared war on Japan. From Mr. Matsuoka he had learned that they would soon demand the withdrawal of all Chinese troops from Jehol, and, as the Chinese would undoubtedly refuse, serious engagements might be expected at any time. From conversations which he had had with Mr. Matsuoka, Sir Eric considered that it would not be long until the United States would be drawn into the conflict.

Yours sincerely,

W. A. RIDDELL

335.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

London, February 16, 1933

Dear Dr. Riddell,

I have your letter of the 14th February, enclosing a copy in French of Part IV [of the report] of the Committee of Nineteen. It is a very thoroughgoing and adequate document. It does not look as if there was much to be said by anyone except Japan, or much doubt as to what her attitude must be.

[1] Non reproduite. [1] Not printed.

The report of your conversations with Sir Eric is rather startling so far as the United States is concerned, but I think he is unduly pessimistic. If he is not, we are all in for another suicidal contest.

With kindest regards etc.

O. D. SKELTON

336.

Le sous-secrétaire d'État aux Affaires extérieures au secrétaire d'État aux Affaires extérieures

Under-Secretary of State for External Affairs to Secretary of State for External Affairs

TELEGRAM London, February 18, 1933

IMMEDIATE. Re Manchurian question. You will have received by wireless full report of Committee of Nineteen. Report provides for Negotiations Committee to co-operate with parties to dispute probably sitting in the Far East. Committee will be established only in unlikely contingency that both parties accept recommendations of Report, but it is desired to name States available for Committee in Resolution now being drafted. Report will not indicate basis on which Negotiations Committee is to be constituted but Committee of Nineteen have decided to address invitations to signatories of Nine Power Treaty and to Governments represented on Committee of Nineteen, together with Russia. Question affecting Canada is raised in letter from Dominions Secretary to High Commissioner and telegram from Riddell to me. Secretary-General states that Committee prepared to extend invitation to Canada on account of interests and proximity, but not as signatory to Nine Power Treaty since that would involve inviting other Dominions. First point is one of substance, namely, whether the Canadian Government wishes to be represented. Second, if we do not accept membership, question of form arises as to whether Committee of Nineteen, in basing invitation on signature of Nine Power Treaty, has any authority to discriminate between signatories and invite the United Kingdom only. While the United Kingdom plenipotentiary had unlimited powers covering the whole of the Empire there seems no question Dominions were signatories of Nine Power Treaty in the same manner as of the Treaty of Versailles. See Borden's Report on Washington Conference, paragraph 107. Please reply whether membership desired and if not whether we should inform Dominions Office and instruct Riddell that while unable to act we must decline to recognize the right of Committee of Nineteen to discriminate among Nine Power Treaty signatories. High Commissioner and I are doubtful whether you would wish membership on Committee but in any case thought it advisable to bring other question to your attention.

Should appreciate receiving instructions early Monday morning.

SKELTON

337.

Le Premier ministre au Haut commissaire
Prime Minister to High Commissioner

TELEGRAM 21 Ottawa, February 18, 1933

IMMEDIATE. CONFIDENTIAL. Reference Skelton's telegram of 18th February, regarding composition of Negotiations Committee. Following is text of instructions forwarded to Canadian Advisory Officer, Geneva. [Begins.] Your telegrams No. 71 and 74 of the 16th February.[1] You are instructed to inform the Secretary-General that the Canadian Government would consider favourably an invitation to sit on the Negotiations Committee contemplated in the Report of Committee of Nineteen, extended to her as a power directly interested in the preservation of peace in the Pacific area. At the same time you should explain to him that the Canadian Government cannot recognize the authority of the Secretary-General or the Committee of Nineteen to discriminate between the several signatories of the Nine-Power Treaty of Washington. [Ends.]

While formally reserving right to receive invitation as signatory of Nine-Power Treaty, we feel that, in the circumstances, the extension of invitation to Canada as a power with large interests in the Far East and directly concerned in the preservation of peace in the Pacific is itself recognition of our international position. Although it is not probable that the conditions precedent to the constitution of the Negotiations Commitee will be fulfilled, it is felt that refusal to serve on it might be interpreted as evasion of responsibility.

338.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 10 Ottawa, February 19, 1933

IMMEDIATE. CONFIDENTIAL. Reference your telegram No. 77 of 18th February. You are hereby named Canadian delegate to the session of the Special Assembly opening on Tuesday, the 21st February, and authorized in the name of the Government to make the following declaration in regard to the Report of the Committee of Nineteen. Text begins. His Majesty's Government in Canada have learned with regret that the efforts to effect a settlement of the Sino-Japanese dispute carried on under paragraph 3 of Article 15 of the Covenant have not been successful. They recognize that the Committee of Nineteen was bound to proceed to the preparation of a

[1] D[r] Riddell avait envoyé copie de ces télégrammes ainsi que d'autres au D[r] Skelton qui se trouvait à Londres.

[1] Dr. Riddell had sent copies of these and other telegrams to Dr. Skelton, who was in London.

Report in accordance with the provisions of paragraph 4 of Article 15. The Report, which is now before the Assembly, represents the unanimous and considered judgment of an informed and impartial Committee jealous of preserving the peace of the world.

The Canadian Government have from the inception of the dispute, supported every effort to secure its solution by peaceful means; they have scrupulously refrained from word or deed that might have jeopardized the prospects of peaceful settlement, and they have withheld judgment on the facts and merits of the dispute in the belief that premature or injudicious comment might have prejudiced the success of our collective efforts to restore that good understanding between China and Japan upon which peace in the Far East depends.

In accepting the Report of the Committee of Nineteen, the Canadian Government desires to express their appreciation of the loyal and patient perseverance with which the Committee has pursued its anxious task. The public opinion of the world in which, we believe, lies the final and effective sanction for the preservation of international agreements has watched the Committee's exploration of every possibility of peaceful settlement between the parties to the dispute and it has recognised reluctantly that their efforts have been unrewarded.

We believe that in the recommendations of the Report will be found a solid basis for the peaceful development of the Far East and we earnestly hope that the parties to the dispute may eventually accept a regime embodying such recommendations and thereby reconcile their conflicting claims in so far as reconciliation is humanly possible.

It is not necessary to emphasize the gravity of the decision which the States Members of the League must take to-day. The faith of the world in the possibility of peaceful settlement has been shaken—if it is destroyed the structure of security slowly built up on the foundation of scrupulous respect for international covenants will be undermined. As that structure shows signs of strain, the prospects of reducing the world's burden of armaments are endangered and the task of achieving international economic co-operation is magnified.

For these reasons we must vote for the adoption of the Report. [Ends.]

339.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 82 Geneva, February 21, 1933

The Committee of Nineteen decided this afternoon, Tuesday, to include all signatories of so-called Nine Power Treaty. The Secretary-General informed me at the conclusion of meeting that he intended to send me a letter inviting

the Canadian Government to be represented on the Negotiations Committee. Unless I hear to the contrary, I shall consider your telegram No. 9 of the 18th February authorization for accepting this invitation.

340.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 86 Geneva, February 23, 1933

IMMEDIATE. SECRET. In view of a somewhat new situation having arisen as a result of decision of Committee of Nineteen that none of its members except the President should take part in debate on Report, and the fact that I did not know of more than two other representatives (Lithuania and Venezuela) who intended to speak, I discussed the question with Dr. Skelton by telephone today, Thursday. He seemed to think, and I agreed with him, that even under these circumstances our declaration should be made.

I understand that Committee of Nineteen decided this evening to invite the Netherlands and Canada to become members of the present Committee which is to be charged with following developments of Sino-Japanese dispute on behalf of Special Assembly which remains in Session.

341.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 13 Ottawa, February 24, 1933

IMMEDIATE. SECRET. Your telegram No. 86 of February 23. Please explain whether Canada and the Netherlands are to be invited to join existing Committee of Nineteen or Negotiations Committee contemplated in the Report adopted by the Assembly this morning.

342.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 90 Geneva, February 24, 1933

MOST IMMEDIATE. Your telegram of the 24th February, No. 13. The Report of the Committee of Nineteen adopted by the Assembly this morning included the names of Canada and the Netherlands among the Governments invited by the Assembly to appoint a member to Negotiations Committee, if required.

My telegram of the 23rd February, No. 86, referred to new Advisory Committee which was set up by a Resolution of the Assembly this afternoon, Friday, to follow Sino-Japanese situation, and which consists of Committee of Nineteen plus Canada and the Netherlands, as they wished to include in Advisory Committee all States to be represented on Negotiations Committee. The United States of America and the U.S.S.R. have already been invited.

The information contained in my telegram No. 86 was intimated to me last night by a member of the Committee of Nineteen, and it was only during Assembly today that Resolution was circulated; when to my surprise I saw that it involved not an invitation but a definite appointment.

I have already received notice of a meeting of Advisory Committee tomorrow morning, Saturday, at 11, which I shall attend if you see no objection.

343.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM Ottawa, February 24, 1933

MOST IMMEDIATE. SECRET. Your telegram of the 24th February, No. 90. Government will consider question of future representation on Committee. In the meantime you should attend Saturday Session.

344.

Mémorandum du chef d'État-major au Premier ministre
Memorandum from Chief of General Staff to Prime Minister

SECRET [Ottawa,] February 24, 1933

SINO-JAPANESE DISPUTE
POSSIBLE CANADIAN COMMITMENTS IN RESPECT TO
THE MAINTENANCE OF NEUTRALITY

1. Following the presentation today to the Special Assembly of the League of Nations of the Report of the Committee of Nineteen dealing with the Sino-Japanese dispute, and the adoption of that Report, Japan withdrew from the Assembly.

2. In the Far East the Japanese advance into Jehol continues. Official Japanese pronouncements have made it clear that if, as a "backwash" from this campaign, the lives of Japanese nationals in the cities of Peiping and

Tientsin which lie south of the Great Wall are endangered, the Japanese forces will move to protect them. In the former city, in addition to those of Japan, Legations and Legation garrisons are maintained by the United Kingdom, the United States, France and Italy. Troops belonging to these countries are also stationed at Tientsin for the purpose of protecting the Peiping-Tientsin railway.

3. Throughout the consideration by the League of the Report of the Lytton Commission it has been clear that the attitude of the United States, in favour of the "open door" policy respecting China and in opposition to the Japanese thesis concerning Manchuria, has been consistently maintained. The result of today's vote at the Special Assembly shows that the United Kingdom has come into line with the United States as regards these matters. Russia remains an uncertain factor, although geographical considerations and existing difficulties in connection with the organization and maintenance of large forces in the East limit her present capabilities for direct action.

4. The situation to be appreciated, therefore, is that the United States and the League—the latter more particularly by reason of the positive attitude of the smaller League States—have succeeded in isolating Japan. It follows that, in the event of war breaking out between the United States and Japan, the former has reason to expect neutrality on the part of the rest of the world with the possible exception of Russia, the course of action of this country probably being determined by the trend of events.

5. The United States fleet has been concentrated in the Pacific for the past year and has recently concluded a series of War Exercises, designed to simulate the actions of a sea-borne air attack by a trans-Pacific Power—in other words, Japan. The Japanese fleet is assumed to be in home waters, but with an announced programme of exercises in the vicinity of the Marshall and Caroline Islands—operations which would be a necessary preliminary to an attack on Hawaii or to defence of Japan against sea-borne attack by the United States. The attitude of these two Powers towards one another is therefore quite definitely one of dangerous distrust and anticipation. It may well happen that this possible "backwash" of the fighting for Jehol on Peiping and Tientsin will be the spark to cause the detonation.

6. The situation of Canada in respect to a war between the United States and Japan has long been the subject of detailed study. Our first responsibility is the maintenance of our neutrality, and our obligations in this respect as regards the United States are specifically defined in the Treaty of 1871 ("Treaty between Great Britain and the United States of America, for the Amicable Settlement of all Causes of Difference between the two Countries Alabama Claims, etc.") in the following terms:

> A neutral Government is bound—
>
> First—To use diligence to prevent the fitting out, arming or equipping, within its jurisdiction, of any vessel which it has reasonable ground to believe is intended to cruise or to carry on war against a power with which it is at peace; and also

to use like diligence to prevent the departure from its jurisdiction of any vessel intended to cruise or carry on war as above, such vessel having been specially adapted, in whole or in part, within such jurisdiction, to warlike use.

Secondly—Not to permit or suffer either belligerent to make use of its ports or waters as the base of naval operations against the other, or for the purpose of the renewal or augmentation of military supplies or arms, or the recruitment of men.

Thirdly—To exercise due diligence in its own ports and waters, and, as to all persons within its jurisdiction, to prevent any violation of the foregoing obligations and duties.

7. To discharge these responsibilities, considerable Naval and Air Forces, in particular, are required; and unless we are to be placed in an invidious and even dangerous position, it is important that some endeavour to meet such responsibilities should be made, coincident with the opening of hostilities. The first action required is the patrol and supervision of our territorial waters on the Pacific Coast, and for this Naval craft and Flying Boats are needed. The most important matters requiring attention *now* are:

(i) The provision of naval ammunition for our existing ships, which presently have less than one quarter their complement and no reserves.

(ii) The provision of aircraft for patrol purposes.

Specific recommendations as regards these two items are submitted herewith.

8. There is a further aspect of to-day's decision on the part of the Special Assembly which merits most serious consideration. The adoption of the Report has given to China at least the moral backing of the League, and China is now in a position to declare war upon Japan in order to regain the territory which the Report states as belonging to her. A declaration of war by China may result in the occupation by Japan of further Chinese territory and in a naval blockade of her ports. It is also to be expected that Japan will exercise the right of visit and search. Any such action on the part of Japan would affect not only the normal interests of the various Powers concerned but any abnormal interests, such as the material assistance to China, which the implications of the Report would now bless. It is not possible to define with any accuracy the results of this prospective situation. It is not difficult, however, to outline certain probable developments.

9. A commercial blockade by Japan of the ports of Shanghai, and, perhaps, of Hong Kong could not long be continued without directly involving the United Kingdom and the United States. That Japan should risk any such situation developing would seem the extreme of folly. In the present state of Japanese feeling, however, reason and consideration of future results can not be relied upon as determining factors. Granted that such a situation is capable of arising, then, even if actual war between the United States and the United Kingdom on the one hand, and Japan on the other, does not break out, of necessity the threat of such a war will force the two former nations to detach themselves, as far as possible, from any serious European

commitments. With the present dangerous instability of the European structure, such detachment on the part of the two States now holding the balance of world power might well result in international chaos.

A. McN.[1]

345.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B. 15 London, February 24, 1933

CONFIDENTIAL. In regard to Sino-Japanese dispute His Majesty's Government in the United Kingdom have under consideration question of the supply of arms to the Far East. The view is taken by His Majesty's Government in the United Kingdom that control cannot be satisfactorily and effectively dealt with except by international agreement securing common action by all countries, whether members of the League of Nations or not, producing and selling armaments. It is obvious that very serious practical questions may promptly arise from differential treatment. The question of concerted suitable action, on the other hand, is exceedingly urgent.

Therefore His Majesty's Representatives at Washington, Paris, Rome, Prague, Stockholm and Brussels have been instructed to take the earliest opportunity of ascertaining from Governments to which they are accredited whether they have considered this problem and what action they are prepared to take: (a) unilaterally; and (b) as part of a general scheme. Ends.

346.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 17 London, February 25, 1933

SECRET. My telegram of the 21st January, Circular B.5, Secret, supply of arms to Bolivia and Paraguay. Favourable reply was received from the Italian Government, and the French Government informed us that they were disposed in principle to take, in association with Italy, the United States and ourselves, the necessary steps to prohibit the export of materials of war to Bolivia and Paraguay. They suggested, however, that in order to make such action fully effective the Governments of the United Kingdom and France should request the Council of the League of Nations acting on basis of Article XI of the Covenant to recommend other members of the League of

[1] Le Général de brigade A. G. L. McNaughton.

[1] Major-General A. G. L. McNaughton.

Nations to associate themselves with proposed embargo. We accepted this suggestion and our delegation at Geneva having consulted with the French and Italian delegations hope in conjunction with them to bring the matter before the Council on the 27th February when it is expected in any case to consider Chaco dispute. It is understood that no imposition of an embargo on export of war materials to Bolivia and Paraguay will be required of members of the League of Nations before the United States Government impose a similar embargo on such exports from the United States. We also think collaboration of Argentine and Brazil in prohibiting the passage of war material through their territory should be invited.

The Resolution of the Committee of the United States Senate mentioned in paragraph 2 of my telegram under reference is still under consideration in Congress where some opposition has developed, and it is understood that the United States Executive cannot impose an embargo without authority of Congress to do so. The opposition is due to the fear that the President may use the authority to prohibit the export to Japan. Efforts are therefore being made to limit its scope to Latin America.

If Council makes a recommendation to all members of the League of Nations on the lines proposed it is hoped that it will be possible to reach a preliminary agreement with countries principally concerned in trade in war materials to impose an embargo on such exports from their territory in advance of Council's recommendation being generally accepted. It would be part of any such preliminary agreement that German Government should be invited to prohibit transit over German territory of all materials of war destined for Bolivia and Paraguay. The French Government desire, however, that this step should not be attempted before League action suggested above has been taken under Article XI of the Covenant.

We have made clear to the French Government that the present proposals relate only to Bolivia and Paraguay and that each case calling for imposition of an arms embargo should be dealt with separately on its merits.

347.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.19 London, February 27, 1933

CONFIDENTIAL. My telegram Circular B.15. His Majesty's Government in the United Kingdom have had under further consideration question of the supply of arms to the Far East and statement to the following effect is being made in the House of Commons today by the Secretary of State for Foreign Affairs. Begins. His Majesty's Government in the United Kingdom are of the opinion that arms traffic to the Far East can only be effectively stopped by international agreement. They have done everything in their power to

hasten international consideration of subject. Pending that consideration they believe that any efforts and sacrifices are worth making which will reduce the risk of a widening of the field of conflict and that general sense of this country would be opposed to a decision which by freely permitting the supply of arms would foment the struggle. Existing contracts already entered into must be respected but subject to this Government have decided as from today not to authorize the issue of licences for export to either China or Japan of any articles mentioned in Arms Export Prohibition Order of the 19th May, 1931. They are well aware that decision will not itself prevent the supply of arms to the Far East from other sources and indeed it would be the first time as far as they know in which any neutral Government has taken positive action of this sort in reference to a distant conflict, but the Government asks the House for a bold decision which involves this country in no controversy with either party to conflict and which should commend itself to the better judgment of countries. Ends.

Secretary of State for Foreign Affairs is also stating that in no circumstances will His Majesty's Government in the United Kingdom become involved in this conflict.

348.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 94 Geneva, March 1, 1933

My telegram of the 25th February, No. 91. If the United States Government accept invitation to co-operate with Advisory Committee on Sino-Japanese dispute, it is probable that a meeting of Committee will be called on short notice. In the circumstances I should be glad to know whether I am authorized to attend meetings of Committee until I receive instructions to the contrary.

It is likely that Committee will not be called upon to take any important decisions for some time and that sufficient time will then be given for representatives on Committee to consult their Governments.

During a telephone conversation with Dr. Skelton this morning he said that he thought it advisable for me to telegraph you along these lines.

349.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 14 Ottawa, March 2, 1933

Your telegram No. 94 of 1st March. You should continue to attend meetings of Advisory Committee until further instructions are sent you.

350.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, March 2, 1933

The reception here of Great Britain's embargo on the export of munitions to Japan and China has been unfavourable, both in the press and Congress. The Administration finds it hard to understand why separate action was taken with such rapidity. Popular reaction is to regard move as declaration of neutrality after aggressor has been determined. While this feeling exists in official quarters there is also tendency to search for ulterior motives involving precedent which might be applied to some anticipated situation on European Continent.

I should appreciate any available information which you may have. Congress will not adopt before adjournment measures granting power to the President to declare embargo which was forwarded with my despatch of the 16th January, No. 45.

351.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 5 Tokyo, March 2, 1933

SECRET. It is reported that Canada intends to place an embargo on arms and in addition an embargo on nickel. As we have expressed our opinion at Geneva the matter should be allowed to rest. Any further action, particularly nickel embargo, will specially involve our position politically and affect our trade and will be considered commencement of employment of sanctions which may lead to reprisals by Japan.

I should warn you to avoid any action directed against Japan alone.

Canadian nationals and interests in Japan are widely scattered. If we take special action they will be exposed to risk. Ends.

352.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 95 Geneva, March 4, 1933

SECRET. Members of Council have agreed to communicate unofficially to their Governments for consideration a declaration regarding a possible

embargo on arms for Bolivia and Paraguay. The declaration provides that signatory States agree to prohibit in their territory export, re-export, transit and transshipment of munitions and armaments to Bolivia and Paraguay, and provides for reports from Governments on its application and for co-ordination of measures designed to make it effective.

If acceptable to States represented on Council the declaration will then be submitted to Council under Article XI in the form of a Resolution, Article XI being invoked by States represented on Council Committee of Three of which Lester is Chairman. If this Resolution does not secure unanimity, the members of Council intend to take it up as individual States, at the request of the Irish Free State, and latter will approach other members of the League of Nations and non-members.

353.

Mémorandum de l'État-major au Premier ministre
Memorandum from General Staff to Prime Minister

SECRET [Ottawa,] March 4, 1933

CANADA AND AN ARMS EMBARGO

1. The existing situation of Canada in the matter of export of armaments may be considered under two headings—our obligations as a result of international agreements and the effect of domestic regulations.

2. As regards international agreements, the only Treaty to which Canada is signatory is the "Convention for the Control of the International Trade in Arms, Ammunition and Implements of War, signed at Geneva on 17th June, 1925." The determining principle of this Convention is to be found in Article 2, which states that the High Contracting Parties undertake not to export or to permit the export, of articles covered by the Convention except as a direct supply to the Government of the importing State, on an order in writing signed by a duly authorized representative of the importing Government. The articles covered by the Convention are numerous and wide in their scope; they also include items of common use in civil activities such as aircraft, aircraft engines, and explosives, other than common black gunpowder.

This Convention was recently ratified by the Canadian Government subject, however, to the stipulation that such action should not take effect until ratifications should also have been deposited on behalf of the arms-exporting countries of Austria, Czechoslovakia, Germany, Italy, Japan and the United States of America. None of these countries has, as yet, ratified the Convention, nor does there appear any likelihood of a change in this respect. There exists, therefore, no international obligation, so far as Canada is concerned, which restricts her export trade in the matter of armaments.

3. As regards domestic regulations, a different and distinctly particular situation is to be found. By a Proclamation, dated 25th August, 1900, export to China of arms, ammunition, military and naval stores and articles which the Governor in Council deems capable of being converted into or made useful in increasing the quantity of military and naval stores in that country, was prohibited.

This proclamation was issued at the request of His Majesty's Government in the United Kingdom during the Boxer uprising in China. In spite of the original reasons for this action having long since disappeared this armaments embargo as regards China is still in force.

4. Although the Conventions or Regulations covering the Canadian position in the matter of armaments exports have been summarized above, there remain certain commitments in respect to international action which Canada has recently entered into by reason of the acceptance of the Report of the Committee of Nineteen with respect to the Sino-Japanese dispute. Although these commitments are of a general nature, and are negative rather than positive in their meaning, they can not be neglected if due consideration is to be given to the particular question under review.

Part IV of the Report contains a statement of the recommendations which have been unanimously agreed to by the Members of the League,[1] other than Japan, present at the recent Special Assembly. Certain of these recommendations have distinct relation to national action in respect of trade with the parties to the dispute, i.e. China and Japan. They may be summarized as follows:

> (i) . . the sovereignty over Manchuria belongs to China.
>
> (ii) . . in adopting the present report the Members of the League intend to abstain particularly, as regards the existing regime in Manchuria, from any act which might prejudice or delay the carrying out of the recommendations.
>
> (iii) They intend to abstain from taking any isolated action with regard to the situation in Manchuria and to continue to concert their action among themselves as well as with the interested States not Members of the League.

With such principles governing the attitude and actions of Canada and other League members in respect to the situation in the Far East, it would seem that any individual action on the part of Canada to alter the existing regulations in respect to the export of armaments, would be a breach of international agreement.

5. In spite of the similar acceptance by the United Kingdom Government of the Report of the Committee of Nineteen, on 27th February, Sir John

[1] Siam abstained from voting. 13 Nations, including most of the Latin American countries, were declared absent. [Note telle que dans le document./Footnote as in Document.]

Simon announced in Parliament that as from that day an embargo should be instituted against the export, on new contracts, of armaments to Japan and China. This action has been the subject of a separate memorandum and will not now be commented upon in detail. It will be sufficient to summarize the conclusions of that memorandum by stating that the action of the United Kingdom Government gave evidence of being incompatible with the agreed recommendations of the Report, unfavourable to China, as compared to Japan, and indicative of an intention to forestall any extension of League interference in the dispute through attempts to apply Article 16 of the Covenant.

This action of the Government of the United Kingdom has been ill received abroad. It has been particularly criticized in the United States by the press and, from what can be learned, in official circles. And as, in the final analysis, the success or non-success of United States policy in the Pacific depends enormously upon the co-operation of the United Kingdom, objection to this extremely individualistic and embarrassing move on the part of the British Government is easy to understand.

6. The conquest of Jehol by Japanese and so-called Manchukuo troops appears to be practically accomplished. The Sino-Japanese situation, however, still remains full of dangerous possibilities. Such possibilities have been outlined in another memorandum and will not now be repeated. At the same time, it is desirable to emphasize that, from the point of view of the Nanking Government, the only apparent hope for relief lies in a situation developing which would force one or more of the great Pacific Powers to her active military support. With thousands of demoralized troops pouring back into China Proper from North of the Great Wall, accidental outrages on foreigners in the Peiping-Tientsin area will be a likely eventuality. An incident of this type might have widespread consequences. And, in case such an incident failed to materialize through the undisciplined action of individuals, an officially planned attack of this nature could well be perpetrated without apparent grounds for suspicion. The next few days or weeks must be regarded with great anxiety.

7. From what has been stated, the following conclusions may reasonably be drawn:

(i) The present situation in the Far East, in any event, is full of dangerous possibilities involving other Powers. As a desperate measure, it is conceivable that the Chinese authorities in North China might provoke a series of incidents which would result in the extension of Japanese action south of the Great Wall, a clash between Japanese and other foreign interests, particularly those of the United States, and so the military intervention of that country.

(ii) The United Kingdom has made it quite clear that, in no circumstances, will that country become involved in the Sino-Japanese

conflict. As an evidence of this intention, the British Government has disengaged itself from possible entanglement through any future action on the part of the Assembly of the League in conjunction with the Government of the United States. In confirmation of this evidence, an embargo has been declared on the shipment of munitions to China, as well as to Japan.

(iii) The United States is not only directly involved with every development in the Far Eastern situation, it is also indirectly involved, through its associations with, and general approval of the actions of the League. Theory apart, the only practical measures which can be taken to influence events in that area must evolve upon the United States and the United Kingdom and must depend upon the closest co-operation between those two Powers. The action of Great Britain, in the matter of an arms embargo, has indicated very plainly that grounds to expect that co-operation can not be relied upon.

(iv) Canada, by reason of its geographical position alone, is very importantly concerned with the conflict now proceeding between Japan and China. It is moreover vitally concerned with the relations between the United States and Japan and the United States and Great Britain. It follows that the basis of our policy should be to do nothing which will accentuate the difficulties in U.S./Japanese relations, and to do everything which will improve the political understanding between Great Britain and the United States.

(v) The announcement of an arms embargo by the Canadian Government, either directed against Japan and China together, or one of a general nature, would be contrary to such policy. It would serve to increase the uneasy sense of isolation now apparent in the attitude of the United States. It would add to the ill feeling which that country presently shows evidence of harbouring against the United Kingdom by reason of the latter's recent individualistic action. Finally, it would unquestionably cause undesirable misgivings in American minds as to the attitude and action of Canada, in the matter of material assistance, in the grave event of hostilities breaking out between the United States and Japan.

8. If such conclusions be accepted, it is suggested that legislative action on the part of the Canadian Government in the matter of arms exports should be avoided. A statement in the House that no private manufacture of military armaments is carried on in this country and that the Government has no intention of disposing of the military armaments which are in its possession, should satisfy public opinion and avoid possible and serious complications.

This memorandum read to, and approved by, the Chief of the General Staff, 1.15 p.m., March 4th.

H. D. G. CRERAR

354.

Le Premier ministre au Haut commissaire
Prime Minister to High Commissioner

TELEGRAM Ottawa, March 8, 1933

IMMEDIATE. SECRET. In view of situation indicated by Secretary of State for Dominion Affairs, circular telegrams B. 23 of 3rd March[1] and B. 24 of 6th March, we feel that you and Skelton should go to Geneva at same time as MacDonald and Simon to represent Canada on General Commission of Disarmament Conference and on Advisory Committee of Twenty-one set up to follow developments in Sino-Japanese Dispute on behalf of Special Assembly. Apart from desirability of strengthening our representation during forthcoming critical phase of Disarmament Conference, it is most important that Canadian position in respect of arms embargo should receive full consideration both in preliminary Commonwealth conversations and in Advisory Committee. It is not anticipated that you and Skelton should remain in Geneva for a longer period than will MacDonald, so that proceedings of Committee on Economic Co-operation should not be unduly delayed.

BENNETT

355.

Le Haut commissaire au Premier ministre
High Commissioner to Prime Minister

TELEGRAM London, March 9, 1933

IMMEDIATE. Skelton and I leave for Geneva tomorrow afternoon, Friday. Will be there same time as MacDonald arrives. Will be glad if you will wire me at once instructions regarding Canada's position with regard to arms embargo as well as any other matters that you feel may arise.

FERGUSON

356.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 30 Ottawa, March 9, 1933

IMMEDIATE. SECRET. Your telegram of 9th March, reference Arms Embargo. Government has already notified Government of United Kingdom of its

[1] Le document 568. [1] Document 568.

willingness to cooperate with other nations in concerted prohibition of export of armaments to Bolivia and Paraguay[1] and has, in accepting Report of Committee of Nineteen, agreed to concert its action in regard to situation in Manchuria with Members of the League and other interested States. It is felt that the risk and futility of isolated action on export of arms and material are accentuated in case of Canada by following facts: our position on the Pacific, our political and geographical proximity to the United States, the complete absence of private arms manufacturing establishments in this country.

For these reasons, after careful consideration of whole question, Government decided that no useful purpose would be served by imposition of embargo on export of arms either to Far East or to all foreign countries. It was always obvious that no individual nation could discriminate in respect of arms embargo between parties to dispute. Our position, however, is complicated by Chinese Arms Embargo Order of 1900 which cannot be rescinded in present circumstances without giving impression that Government is supporting one party, and which would, nevertheless, be incompatible with obligations of neutrality in event of declaration of war in Orient.

In view of foregoing analysis of difficulties latent in an arms embargo proposal and of pre-eminent importance for Canada of close cooperation between United Kingdom and United States, especially in their policies in the Pacific, it is important that you should impress upon other Commonwealth representatives desirability of concerting any action that may be taken.

As regards specific questions now before Commissions of Disarmament Conference, it is felt that instructions sent Riddell from time to time are adequate. In respect of larger problems of policy which in last resort are decided by Great Powers you should strongly support any initiative the United Kingdom may take to expedite realization of equality for Germany by reduction of armaments of other powers. You should not oppose any compensatory scheme for organization of security on a Continental basis.

357.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 105 Geneva, March 13, 1933

IMMEDIATE. CONFIDENTIAL. Have just learned that the British Government have taken off arms embargo in view of probable delay in obtaining concerted international action.

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[1] Voir le document 333.

[1] See Document 333.

358.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 108 Geneva, March 16, 1933

CONFIDENTIAL. Committee of Twenty Two on Manchurian situation met yesterday with the United States represented by Wilson. Sub-Committees were appointed to examine problem of export of arms in its bearing on the present Far East situation, and to study implications of Assembly Resolution against *de jure* or *de facto* recognition of Manchukuo, including questions arising out of the desire of Manchukuo to enter International Postal and Telegraph Union. In private discussions we have indicated position of Canadian Government on arms embargo. Arms Export Committee includes representatives of all munition-producing countries. Individual members seem favourable to some restrictions but question how far their Governments will go remains to be seen. In any case it is clear that no embargo action will be taken except by general agreement.

359.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 120 Geneva, March 29, 1933

CONFIDENTIAL. The Advisory Committee met yesterday afternoon, Tuesday, and considered question of its competence with regard to the Japanese Government's notification of its intention to withdraw from the League, and decided that, as arguments presented in justification of withdrawal had been adequately dealt with by the Assembly, it called for no further comment.

The Committee then considered programme of future work of its two Sub-Committees. The Committee on non-recognition will probably meet after Easter to consider a report on the different aspects of this subject which is being prepared by the Secretariat. It was thought inadvisable for Committee on Embargoes to meet until it was known that all arms-producing countries were prepared to cooperate.

Canada was named a member of Committee on non-recognition.

360.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 181 Geneva, June 7, 1933

My telegram 2nd June, No. 179. Advisory Committee on Sino-Japanese dispute approved unanimously this morning Wednesday draft circular prepared by Sub-Committee on non recognition of Manchukuo. This circular (copies of which are being forwarded to you by mail today) is to be sent by the Secretary-General to members and non-members of the League of Nations.

361.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

Geneva, February 17, 1934

My dear Dr. Skelton,

This morning we received a *communiqué* from the Secretariat informing us that the Secretary-General had decided to convene the Advisory Committee, set up by the Special Session of the Assembly for the Sino-Japanese dispute by its resolution of 24th February 1933, for Monday, 14th May.

It appears that the United Kingdom would like to have the meeting called with a view to obtaining a clear definition of the extent to which *de facto* relations may be permitted between foreign postal administrations and the Manchurian postal authorities without involving by implication or otherwise recognition of the existing régime in Manchuria. The whole question seems to have been raised because of the fact that the General Post Office in London received from the Department of Communications in Manchukuo a letter requesting that it be furnished with statistics in accordance with the provisions of the Postal Union Convention in order that the transit payments due in respect of mails sent through Manchuria could be liquidated.

Yours sincerely,

W. A. RIDDELL

362.

Le ministre des Affaires étrangères de Mandchoukouo au secrétaire d'État aux Affaires extérieures

Minister for Foreign Affairs of Manchukuo to Secretary of State for External Affairs

TELEGRAM Hsingkingjap, March 2, 1934

Sir I have honour to inform you hereby that in this State Manchoukuo His Excellency Mister Pu Yi Chief Executive has on this date namely first day of March first year of Kangte or Nineteen Thirty Four acceded to Throne as Emperor of Manchoutikuo Manchou Empire and that monarchical regime has been established. I avail myself of this occasion to declare that this Government earnestly desires relations between Your Excellency's nation and this nation to develop most favourably in future. Respectfully yours.

HSIEH CHIEHSHIH

363.

Le Conseiller au secrétaire d'État aux Affaires extérieures

Advisory Officer to Secretary of State for External Affairs

TELEGRAM 20 Geneva, May 14, 1934

IMMEDIATE. Advisory Committee on Sino-Japanese dispute met this afternoon and requested Chairman to present draft Resolution for consideration Wednesday. Resolution likely to state Assembly's Resolution 24th February, 1933, does not preclude technical administration taking temporary measures for forwarding all postal (communication?). Such relations to be considered as between Administrations and not Governments. Communications to Manchukuo should be addressed "Manchukuo Postal Administration" and should contain statement to the effect that communication is not to be considered as between one Government and another.

The Committee will also consider Wednesday a letter from the Chinese Government expressing its apprehension lest recommendation contained in paragraph 7, Annex to C.L.117(a)1933 regarding application for export of opium is likely to prejudice principle of non-recognition.

364.

Le président du Comité du conseil de la SDN au secrétaire d'État aux Affaires extérieures

Chairman of League Council Committee to Secretary of State for External Affairs

TELEGRAM Geneva, May 19, 1934

Reference Bolivia Paraguay conflict members Council last year contemplated prohibiting on their territory exportation and re-exportation

whether direct or indirect arms war material, aeroplanes, aeroplane motors, separate parts thereof and munitions to Bolivia or Paraguay whether by public authorities or private enterprises or individuals whether nationals or foreigners. Council has instructed Committee undertake consultations necessary view eventual application this prohibition following extraordinary session commencing May 30th. Beg inform me urgently through Secretary General whether your Government prepared participate this measure either unconditionally or on condition other states accept same obligation in latter event please communicate list states whose acceptance considered necessary taking account nature of case.

365.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 13 Ottawa, May 22, 1934

We telegraphed today as follows to Chairman Council Committee Bolivia-Paraguay Conflict in reply to his telegram of May 19th. Begins. Canadian Government is prepared to participate in application of prohibition of export of arms, war materials, aeroplanes, aeroplane motors, separate parts thereof and munitions to Bolivia and to Paraguay. Ends.

We assume that Council will draw up more precise list of what constitutes arms and munitions of war for purposes of this embargo but feel it would be unnecessary to include lead, copper and zinc, either unmanufactured or in ordinary commercial products. Please keep us advised of general course of events.

For your information may add that Canada does not export guns or rifles but there has been small export of gun, rifle and pistol cartridges to Newfoundland. There have been no exports of cartridges to Paraguay during the past two years. Exports of cartridges to Bolivia for the year ended March 31st, 1934, were valued at $30. There were no exports in the previous year.

366.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 50 Geneva, July 19, 1934

The following States: United Kingdom, Australia, Denmark, Argentine, United States, U.S.S.R., Sweden, Austria, Brazil, Latvia, Switzerland, and Dominican Republic, are already participating in application of prohibition of arms etc. to Bolivia and to Paraguay. France from the 20th July. Secretariat enquires whether they can include Canada in this list.

367.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 22 Ottawa, July 30, 1934

Your telegram No. 50 July 19th and Najera's telegram July 25th. Order-in-Council,[1] copy of which is going forward by mail, passed today prohibiting export or re-export from Canada to Bolivia and to Paraguay of arms, war materials, aircraft, aircraft engines, spare parts thereof, and munitions.

368.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, October 29, 1934

IMMEDIATE. CONFIDENTIAL. Canadian motor truck manufacturer desirous of tendering for order of two hundred motor trucks for "client in Bolivia" is anxious to ascertain whether embargo on export of war materials would extend to motor trucks. To similar inquiries in past we have answered that Government did not desire that Canada should become base of operations for export to Bolivia and Paraguay of articles that could not be exported to those countries from the United States under terms of President's proclamation of 29th May, 1934. Should be grateful if you could make immediate informal inquiry as to United States position re export of motor trucks to countries in question and ascertain what definition has been given to "any arms or munitions of war".

369.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, October 30, 1934

IMMEDIATE. CONFIDENTIAL. Your telegram 29th October. State Department has refused to define phrase "any arms or munitions of war" in Presi-

[1] C.P. 1686.

[1] P.C. 1686.

dent's Proclamation of May 28th, 1934, and has referred enquirers to Department of Justice. Department of Justice state confidentially that they have received great many enquiries from motor manufacturers and have refused to give definite ruling. Their own view is that unarmed commercial motor vehicles cannot be regarded as munitions of war and that courts would uphold legality of their export to Bolivia and Paraguay if proceedings were taken against exporters. They have not told manufacturers this but have referred them to several formal opinions of Attorney General printed in Volumes 29 and 30 of *Collected Opinions* which clearly indicate ordinary commercial vehicles were not regarded as munitions of war under embargo of 1912 against Mexico. I understand that motor vehicles have in fact been exported to countries concerned since Proclamation of embargo.

HERRIDGE

370.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

DESPATCH 361 Ottawa, November 1, 1934

Sir,

I have the honour to acknowledge your telegram of the 30th October, regarding the United States definition of the phrase "any arms or munitions of war" in the embargo upon export to Bolivia and Paraguay.

We have recently been notified that a special Assembly of the League of Nations will be held in Geneva on November 20th to consider the situation arising from the failure thus far of the Committee of Conciliation to secure agreement between Bolivia and Paraguay. If in that Assembly or earlier, success in bringing the hostilities to a close is not attained, it is probable that an endeavour will be made to secure more specific and agreed interpretation of the various embargoes that have been placed by several countries. Under these circumstances we advised the White Company that permission would be given for the export of unarmed commercial vehicles up to the end of December but informed them that in view of the above circumstances no undertaking could be given that permission would be granted after that time.

I have etc.

O. D. SKELTON
for Secretary of State
for External Affairs

371.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

DESPATCH 8 Tokyo, January 8, 1935

Sir,

I have the honour to refer to my despatch No. 37 of the 17th of February, 1934, concerning the proposed visit to Japan of the "Emperor of Manchukuo". It will be recalled that in the despatch I raised the question of the proper procedure to be followed by your representative in Japan if and when such a visit took place.

It has now been decided that the Emperor Kangte will visit Japan early in April of this year. Under the circumstances, I shall be very much obliged if I may have an early answer to the questions raised in my despatch referred to above.

I have etc.
HERBERT M. MARLER

372.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

DESPATCH 62 Ottawa, February 25, 1935

Sir,

I have the honour to enclose, for your information, a text of the Report by the Advisory Committee set up by the Assembly of the League to assist their members "to concert their action and their attitude among themselves with non-member States, more particularly as regards the most effective application, modification, or withdrawal of the prohibition of the supply of arms to Bolivia and Paraguay, and to make any proposals it may think desirable in this connection." You will note that the Advisory Committee recommends that the prohibition of the supply of arms to Bolivia and Paraguay should not continue to be enforced against Bolivia.

I am enclosing a copy of a telegram Circular B.18[1] of the 9th February from the Secretary of State for Dominion Affairs intimating that His Majesty's Government in the United Kingdom have raised the embargo so far as Bolivia is concerned as from February 6th in accordance with the recommendation of the Advisory Committee. The Canadian Government has not yet modified the regime established by the Order in Council of the 30th

[1] Non reproduite. [1] Not printed.

July, 1934, which prohibited the export of arms and munitions and war materials generally to both countries, and before doing so would be glad to know the attitude of the United States Government on the question, and particularly whether it intends to maintain the present quasi embargo indefinitely.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

373.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 260 Washington, February 26, 1935

Sir,

I have the honour to refer to your despatch No. 62 of February 23, 1935, requesting me to inform you of the attitude of the Government of the United States concerning the recommendations of the Advisory Committee set up by the League of Nations in connection with the conflict between Bolivia and Paraguay. The telegram of February 9th from the Secretary of State for Dominion Affairs to which you made reference in this despatch was not enclosed therewith.

2. As you are aware, the President of the United States lacks authority to take the action recommended in the Report of the Advisory Committee, since he is unable, under existing legislation, to prohibit the sale of munitions of war to one party only in this dispute. Before he could take the course recommended to members of the League by the Advisory Committee, it would be necessary for him to secure new powers from Congress.

3. Mr. Wrong has discussed the situation with Mr. Hickerson of the Department of State. Mr. Hickerson said definitely that there was no present intention of changing the existing régime, established by the President's Proclamation of May 28th, 1934, prohibiting the sale of arms or munitions of war to both countries. Mr. Wrong told Mr. Hickerson that the Government of Canada might soon find it necessary to follow the report of the Advisory Committee by raising its existing embargo in the case of exports to Bolivia. The Department of State, I think, understands the position of the Canadian Government in this matter, but when a definite decision is reached concerning the modification of the prohibition established by the Order-in-Council of July 30th, 1934, it might be desirable for me to make a further explanation to the Department of State.

I have etc.

W. D. HERRIDGE

374.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 7 Ottawa, April 6, 1935

SECRET. Your despatch of the 8th January, No. 8. It is requested that you should not attend any reception that may be given by the ex-Emperor of China in his capacity as "Emperor of Manchukuo", and it would be far better that you should not attend any entertainment given by the Government of Japan for the ex-Emperor if it can be done without giving offence. At the same time it is recognized that an invitation from the Japanese Emperor, if sent, cannot be refused. Any invitations from the Japanese Emperor, if such are issued, should be accepted, and at the same time you should explain to the Ministry of Foreign Affairs that such acceptance is an act of courtesy which has no political significance. While keeping in general touch with colleagues on the diplomatic corps, unless asked to do so, you should refrain from explaining the views of the Government on this question.

It is understood that instructions in this sense were sent to His Majesty's Ambassador in Tokyo last year when a visit from Mr. Pu-Yi was first anticipated, and we are not aware of any developments in the situation that would make a departure from the suggested line of conduct seem advisable. Ends.

375.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 46 Geneva, April 17, 1935

MOST IMMEDIATE. I have been asked by the Secretary-General to ascertain whether Canada would accept membership on proposed Committee (of Thirteen?) to be set up under Three Power Resolution now before Council. Bruce of Australia favourable to our acceptance. Under Resolution, Committee is called upon to propose measures "to render Covenant more effective in organisation of collective security and to define in particular the economic and financial measures which might be applied, should in future a State, whether a member of the League of Nations or not, endanger the peace by unilateral repudiation of its international obligations", (preamble says . . . "undertaking[s] concerning security of people and maintenance of peace in Europe").

376.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 14 Ottawa, April 17, 1935

MOST IMMEDIATE. SECRET. Your telegram No. 46 of 17th April. Canadian membership on proposed committee. First point for consideration would be whether membership on committee would involve acceptance of principle that sanctions are to be applied by League members for violations of treaty obligations. Apparently Council so far as it has any authority in the matter has approved the principle and committee is appointed merely to work out details, but we should be glad to have further information on this point. Further, we should like to learn probable composition of committee and particularly whether States not on Council or outside of Europe will be represented. Please impress on Secretary General necessity of keeping confidential for present the proposal that Canada should act on the committee.

377.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 48 Geneva, April 17, 1935

IMMEDIATE. Council this afternoon invited Great Britain, *Canada,* Chile, France, Hungary, Italy, Netherlands, Poland, Portugal, Spain, Turkey, U.S.S.R. and Yugoslavia, to be represented on Committee referred to in my telegrams Nos. 45, 46 and 47. Secretary-General will fix date of meeting as soon as informed by Governments of names of their representatives. Next Council Session postponed until May 20th.

378.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 50 Geneva, April 18, 1935

MOST IMMEDIATE. SECRET. Your telegram 17th April, No. 14. I regret that list of names was adopted before Canada's [position], which I had reserved, was known. After discussion with Secretary-General I take it that

membership on Committee does not involve acceptance of anything else than terms of reference which I quoted in my telegram No. 46, and which were drafted with a view to working out in detail Council's decision that "unilateral repudiation of undertakings concerning security of people and maintenance [of peace] in Europe should call into play all appropriate measures on the part of members of the League of Nations and within framework of the Covenant".

Simon assured Council that Resolution did not involve assumption of new and increased obligations by members of the League of Nations and that it was not more than a re-statement of existing commitments already inherent in the Covenant.

As you will have noted from my telegram No. 48, two States invited are extra-European, four non members of Council.

379.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 15 Ottawa, April 20, 1935

IMMEDIATE. SECRET. Your telegrams No. 48 of 17th April and No. 50 of 18th April.

(1) We regret that public announcement of invitation to Canada to act as member of Sanctions Committee was made without adequate opportunity being given for consideration. Proposal was given immediate attention on receipt of your telegram No. 46 and request for further particulars sent within few hours. Public announcement of nomination of Canada was received almost simultaneously. We should like to obtain any information you have as to circumstances of proposal of Canada's name and decision to include.

(2) Statement that membership on Committee does not involve acceptance of anything else than terms of reference is not very helpful, as what we sought was the official view of the meaning of the terms of reference themselves. We recognize difficulty of obtaining official interpretation, and assume complete reports of Council discussion have been mailed. Our own view is that a resolution of Council to the effect that unilateral repudiation of international obligations having relation to undertakings concerning the security of peoples and the maintenance of the peace of Europe, should bring into play all appropriate measures on the part of the members of the League and within the framework of the Covenant, with further proviso that Committee shall be appointed to propose for this purpose measures to make Covenant more effective and define economic and financial sanctions, might be construed as meaning that repudiation of such a treaty obligation without recourse to

war would under the Covenant involve application of sanctions by members of the League. As at present advised and with due respect for Simon's opinion, we cannot agree that Covenant provides for application of sanctions in any other case than that of recourse to war by a member of the League in disregard of its covenants under Articles 12, 13 or 15 and the parallel provisions of Article 17.

(3) Wording of resolution appears to bring within its scope not merely peace treaties but all subsequent European pacts creating obligations on the part of one or more participants.

(4) Any such enlargement of the obligations of Canada would raise questions of the gravest moment and could not be undertaken until after the fullest consideration.

You should convey the following statement to the Secretary General:

1. The Canadian Government has been advised that the Council of the League of Nations, following the adoption of a resolution regarding repudiation of treaty obligations has invited Canada to participate in the work of a committee to consider the applicability of economic and financial sanctions in the event of unilateral repudiation of international obligations affecting the peace of Europe.

As regards the first part of the resolution the position of the Canadian Government was stated in the House of Commons on March 18th as follows:

> The Canadian Government have noted with anxiety the announcement by the German Government of its intention to re-establish its military forces and to revive compulsory military service, contrary to the provisions of the Treaty of Versailles. It is regretted that this unilateral action has taken place on the eve of promising efforts to deal with the whole European arms question, including the revision by agreement of the treaty restrictions on German armament.

2. As regards the establishment of a committee to consider the applicability of appropriate sanctions in future cases of treaty repudiation, the Canadian Government recognizes the importance of the problem and the desirability of full consideration of the feasibility and the implications of the adoption of the policy proposed by the Council. The Canadian Government is prepared to accept membership on the Committee on the understanding that its work will be to consider whether the Covenant at present provides for the application of sanctions in case of repudiation of international obligations having a relation to undertaking concerning the security of peoples and the maintenance of the peace of Europe as well as in the case of resort to war in disregard of a state's obligations under Articles 12, 13 and 15 or under the circumstances contemplated in Article 17 of the Covenant, and if not, whether such an extension of its scope is feasible and desirable.

We are sending London terms of above statement.

380.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 51 Geneva, April 25, 1935

MOST IMMEDIATE. SECRET. Your telegram of the 20th April, No. 15. The Three Power Resolution was drawn up in Stresa and rushed through Council. At private meeting of Council on morning of April 17th, I received first information that Council intended to invite Canada to accept membership on Committee. Without committing myself, I sent you my telegram No. 46 same morning. To enquiry from Secretariat in the afternoon, I replied I had received no word from my Government and was therefore unable to state whether they would refuse or accept invitation. Council therefore named Canada without knowing whether or not Government would accept. List of names was prepared by Secretariat with the approval of the three joint authors of Resolution. Possibly Bruce was consulted about including Canada. MacKinnon Wood thinks Canada was named on Committee because of our known attitude to Articles 10 and 16 of Covenant and that it was considered better to have Canada's point of view taken into consideration in findings of Committee than to run the risk of our opposition later. Since Secretary General is away, I have not yet conveyed to him statement contained in your telegram. I have, however, discussed situation with Walters and MacKinnon Wood who both consider our conditional acceptance would necessitate an interpretation of Council Resolution which Secretary General is not in position to give. They consider, however, that this difficulty might be overcome if in Section 2 of your statement "The Canadian Government is prepared to accept membership on Committee on the understanding that, etc." were to read "The Canadian Government is therefore prepared to accept membership on the Committee. It is understood, however, that etc". It is also suggested that you might examine possibility of substituting in the same sentence of Section 2 for words: "that its work will be to consider" the words: "that it will be within the province of Committee to consider". The above mentioned officials consider that while the question raised in this sentence of your statement is within the competence of the Committee it is very unlikely that it will be found that Article 16 is at present applicable in the case of a repudiation of a treaty or that it will be considered either desirable or feasible to amend Covenant for that purpose. They believe that a solution will be sought not in automatic procedure of Article 16 but rather in the method of recommendation provided for under Article 11 (see document C. 169 M. 119. 1927, and C. 677 M. 268. 1926). They are doubtful whether Committee will be able to achieve very much except to recommend an amendment to Article 11 whereby vote of offending party shall not be required for unanimity.

381.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 16 Ottawa, April 27, 1935

IMMEDIATE. SECRET. Your telegram No. 51 of 25th April. Much obliged by explanation of circumstances surrounding invitation. I note Secretariat view that our conditional acceptance would involve interpretation of resolution which Secretary General cannot give. Canadian Government desires to minimize any differences of opinion in view of present situation but must avoid any position involving acceptance of sanctions policy in advance. From this point of view it is immaterial under what Article sanctions are to be brought in.

2. You should therefore substitute following for second paragraph in statement to be given to Secretary General.

3. Quote. As regards the establishment of a Committee to consider the applicability of economic and financial sanctions in future cases of repudiation of international obligations having a relation to undertakings concerning the security of peoples and the maintenance of the peace of Europe, the Canadian Government recognizes the importance of the problem and the desirability of full consideration of the implications of the adoption of the policy proposed by the Council. The Canadian Government is therefore prepared to accept membership on the Committee. In view however of the possibility of its participation in the work of the Committee being interpreted as involving acceptance of the view that under the Covenant of the League repudiation of such international obligations without recourse to war calls for the application of sanctions by League members or that the adoption of such a policy is necessarily feasible and desirable, Canadian Government wishes to make it clear that its participation does not imply acceptance on its part of such an interpretation of the Covenant and that it considers that any proposals for the applicability of sanctions in such a case should be considered in the Committee on their merits. End quote.

382.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 20 Ottawa, May 17, 1935

My telegram No. 19 of May 14th. Special Assembly to consider application of Covenant in Bolivia-Paraguay dispute. Our information from London and Washington and your telegram No. 60 indicate that mediation undertaken

by South American countries in cooperation with the United States has been accepted by both Bolivia and Paraguay, and conference will be held this month. The constant shifting of jurisdiction between the League on the one hand and the American neutral states on the other has been one of the reasons for the prolongation of the dispute and for the unsatisfactory character of the League's procedure. There is no certainty that the present mediation will be successful but the chances seem much better than on previous occasions because of mutual exhaustion and deadlock. Under these circumstances there seems little doubt that the Assembly will consider it unnecessary and harmful to discuss possible punitive measures pending outcome of the new efforts at conciliation. Under the circumstances this is a reasonable course and you should vote for any such proposal.

In this case it may be assumed that the two questions first, of validity and expediency of new interpretation of paragraph 6 of Article 15 by the Advisory Committee, and second, the applicability of Article 16 to Paraguay, will not come before the Assembly. On the first point we consider that interpretation placed by Advisory Committee on paragraph 6 of Article 15 is strained and inconsistent with the interpretation accepted over many years discussion. Secondly, any proposal to declare that Paraguay has disregarded its covenants under Article 15, thereby making Article 16 applicable, is disputable and certainly premature. These indications are given merely for your information. If Assembly defers action pending efforts of mediation committee, it may be further assumed that there will be no discussion of these points in their application to Paraguay and Bolivia. If any proposal is made by advocates of new sanctions proposals to secure approval of the strained interpretation put forward in the Chaco Committee, we will have to consider the question further and shall endeavour to cable you immediately upon receipt of your report as to probable trend of discussion.

As regards lifting embargo on arms to Bolivia, while we are impressed by example of many countries which have already taken action lifting embargo on arms to Bolivia, and are equally desirous of speedy end to hostilities, we have not been convinced that this course is required under the Covenant. An embargo applied against both disputants in a case where it is not clear or where the League is unwilling to face the question who is the actual aggressor, may be desirable as means of bringing hostilities to an end and Canada cooperated in this measure not because of any Covenant obligation but as an individual action. The proposal, however, to apply embargo against one country only transforms the action taken to a sanction and when it is sought to relate it to Articles 15 and 16 of the Covenant this involves controversial interpretation, which we should have to consider further. In considering advisability of such action, we must further take into account the fact that since the Government of the United States is precluded from lifting the embargo on shipments of arms to Bolivia, the effect, as has been indicated by requests made to us, would be transfer of orders from United States to Canada and mushroom growth of munitions industry here. In view of these

considerations and of prospect of early settlement by conciliation, we are reluctant to raise the embargo on Bolivia.[1] This statement is also for your own information.

383.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM Geneva, May 18, 1935

SECRET. Some of the high officials of the Secretariat are greatly concerned about the outcome of work of Committee of Thirteen. These officials do not consider that French objective to make sanctions applicable in cases of unilateral treaty repudiation can be achieved under the Covenant and are strongly opposed to having it amended for this purpose. They hope that Canada will not agree to any such amendment. I am informed that the limitation of question to Europe was done at the request of Italy, in order to give her a free hand in Abyssinia. Message ends.

384.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 24 Ottawa, May 22, 1935

CONFIDENTIAL. Your telegram May 17th. Committee of Thirteen. It is assumed that none of the governments to which text of our acceptance was circulated has taken objection to its terms. If objection were taken it would presumably be by Council which appointed the Committee and not by the Committee itself. If any objections or comments made, please advise fully.

2. In view of Hitler speech and Abyssinian situation it is possible proponents of resolution setting up Committee may now desire to go more slowly. In any case it appears from your telegram under reference that first session

[1] L'embargo sur les armes qui frappait le Paraguay et la Bolivie fut levé le 30 juillet 1937 par décret du conseil C.P. 1840. Ce décret rescindait les décrets C.P. 392L de 1900 (embargo sur les armes pour la Chine), C.P. 2552 de 1920 et C.P. 1147 de 1924 (embargo sur les armes à destination de certaines parties de l'Afrique et du Proche Orient).

[1] The embargo on arms shipments to Paraguay and Bolivia was lifted on July 30, 1937 under authority of P.C. 1840. The order-in-council also rescinded P.C. 392L of 1900 (embargo on arms for China) and P.C.s 2552 of 1920 and 1147 of 1924 (embargo on arms for "certain African and Near Eastern Areas").

will be brief and of preliminary character. Inasmuch as our letter of acceptance has already indicated our general attitude, it should not be necessary for us to develop our position at any length at this session. If asked to do so at outset, you should say we prefer to hear from other members indication of their view as to scope and object of Committee's work, having regard to "terms of 'our' letter of" acceptance.

3. For your information, our general position is unchanged—to uphold the League as indispensable agency of peace and international cooperation. We believe it is in best interests of League to put greater emphasis on preventive and constructive phases of its work, removing causes of conflict, facilitating friendly settlement of disputes, building up habit and practice of working together for common ends rather than on punitive phases, though the application of punitive measures when pacific settlement is unattainable and one of parties has resorted to war in violation of its obligation under Covenant must also be held an instrument of League policy.

4. The following questions would appear to require careful consideration before any conclusions are reached:

First: Can Covenant now be held to provide for application of sanctions to repudiation of international obligations, in circumstances envisaged by resolution, without resort to war? If so, under what article and how in that case can a provision of the Covenant be considered to apply only to a certain geographic fraction of the League?

Second: If not now provided for in Covenant, is it wise to enlarge provisions for application of sanctions in view of failure of League to apply sanctions in more serious case of actual resort to war?

Third: To what type of treaty repudiation is it proposed that sanctions should be applied? To Peace Treaties? To recent pacts? What type of obligations in each case? What would constitute repudiation in each typical case?

Fourth: Is it feasible to apply sanctions for repudiation of treaties apart from consideration of extent to which treaties may have become inapplicable by changed conditions? Is any parallel attempt to be made to define scope, and facilitate application of Article Nineteen?

Fifth: On what ground can it be contended that sanctions should be applied in case of repudiation affecting Europe, and not in cases affecting Africa, America, Asia and Australasia?

5. Third and particularly fourth of above questions obviously involve serious issues and not desirable to raise them in public discussion at least at present stage. They indicate lines of inquiry however which might be followed with British or, say, Netherlands delegate.

6. Before making any statement report fully line taken by chief representatives, when immediate consideration will be given to position we should take.

385.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 71 Geneva, May 23, 1935

MOST IMMEDIATE. France will place before Sanctions Committee memorandum in which she submits that, under Article XI, Council has power to take any appropriate measures other than war against States violating treaty obligations important to the maintenance of peace, and that these measures may include embargo on arms, manufactured products, raw materials and credits needed to complete military preparations; and suggests:

(*a*) Sanctions Committee should prepare list of such products, raw materials, etc., to assist Council when formulating recommendations;

(*b*) A Protocol should be drawn up open to all European Powers but which would come into force as soon as adhered to by a small number. Signatories would undertake to carry out Council's recommendations and to concerted action to enforce embargo. Execution of Protocol would be guaranteed either by general regional agreements [*sic*]. Non-European Powers would be asked to facilitate its application;

(*c*) From now on voting of parties should not be considered in adopting measures against violating States.

386.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 73 Geneva, May 24, 1935

IMMEDIATE. At opening of meeting of Sanctions Committee, Da Mata (Portugal) was elected Chairman. French memorandum had been circulated this morning. Only speaker was Madariaga who called attention to difficulty of applying sanctions and more particularly economic sanctions owing to the fact that certain great Powers are not of League and also to possibility that members asked to discontinue commercial relations might suffer more from that than Covenant-breaking States. Moreover, he thought it desirable to organize preventive rather than punitive League activities. At all events there should be, in his opinion, a certain equilibrium between prevention and sanctions. A *sine qua non* condition [for] extending sanctions would be:

(*a*) Adoption of a Convention on means of preventing;

(*b*) Conclusion of a Convention on arms manufacture and stocks including stocks of key metals; and

(*c*) Recognition of rights and duty of League to refuse to register treaties incompatible with terms of the Covenant.

He strongly supported French view regarding unanimity rule in respect of Article XI.

387.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 78 Geneva, May 25, 1935

MOST IMMEDIATE. This morning Saturday Chairman of Sanctions Committee proposed that "repudiation" be interpreted as "violation" and that scope of Committee's work be restricted to repudiation of "contractual" obligations. United Kingdom suggested that Committee consult Jurists on the question of unanimity of rules (his private opinion was that they should consult with the Permanent Court of International Justice) and competent League organization on economic and financial aspects of measures under discussion. Netherlands laid stress on necessity of having an authority to decide in each case upon the existence or extinction of obligations in dispute and assumed signatories of Protocol would have the right to sit on Committee by application of Article IV of the Covenant. U.S.S.R. proposed to ask drafting Committee or French delegation, after general discussion, to draw up Protocol which Committee would discuss paragraph by paragraph. Italy was of the opinion that Committee ought first to agree on particular measures which signatories would undertake to carry out, for he felt that signatories should have a more specific obligation than merely to carry out recommendations of Council under Article XI. Turkish representative expressed his approval of regional agreements and supported Netherlands as regards Article IV.

Chairman announced that he would probably be in a position Monday to submit proposal with regard to procedure. No legal doubts have so far been raised as regards either possibility under Article XI to take measures suggested in general terms by French memorandum in the circumstances envisaged by Council in resolution of April 17th, or possibility of concluding regional agreements to enforce such measures. No reference has been made to Canada's reservation. Chairman has urged all members to express their views as soon as possible.

388.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 28 Ottawa, May 26, 1935

MOST IMMEDIATE. Your telegrams Nos. 71, 72, 73, 75, 76, 78. You should make statement as soon as possible before general discussion ends or questions of procedure are determined. Subject to confirmation by telegram in clear, you should make following statement:

2. Explain question is not as to the harmfulness of repudiation of treaty obligations. We are agreed on gravity of such action. Canadian Government in accepting invitation to share in work of this Committee indicated it had already expressed its views on this aspect. This Committee is only concerned with future repudiations. The real questions to be considered at this stage are, first, should sanctions be applied in such cases of treaty repudiation and, second, does the Covenant, particularly as has been suggested under Article XI, already call for the application of such sanctions?

3. On first point, we consider that such undue emphasis on sanctions will lessen real effectiveness and service of the League. (Here add paragraph three our telegram No. 24 from "our general position" to "League policy"). We agree with Madariaga desirable to organize preventive rather than punitive League activities and preserve equilibrium between preventions and sanctions. During past year League has scored number of heartening successes. In every case it has been by conciliation and discussion not by sanctions or threat of sanctions that this success has been attained. Why not continue on this successful course?

4. League has in fact not applied sanctions in two serious cases where armed conflict was actually raging. Can it be expected that it would in practice apply sanctions for the repudiation of a treaty affecting the maintenance of peace and not for the actual breaking of peace? Would countries not in League concur and cooperate in embargoes in such case? Application of sanctions may be necessary but as last resort of League, and possibility of applying when extreme crisis arrives will not be facilitated by multiplying possible occasions for their use.

5. Any proposals for sanctions in event of treaty repudiation raise inevitably question of treaty revision. In view of terms of Article XIX we cannot assume that treaties never become inapplicable. We do not consider the present period of tension appropriate time for considering question of treaty revision therefore not desirable to raise associated question of sanctions for repudiation.

6. On second point, we do not consider case has been made for assumption that such sanctions are called for under Article XI. That Article has always been regarded in Paul-Boncour's words as the League's instrument of conciliation and prevention. It is not and should not be made a secondary Article XVI.

Reference has been made in the discussion to Report of 1927 Committee (C. 169, 1927, *Official Journal*, page 832). That Report summarized experience of League in interpreting and utilizing Article XI. It affords no warrant for present proposals. What does Report state? As regards first contingency, where no threat of war or not acute, it contemplates Council summoning both contending parties, promoting conciliation, suggesting reference to arbitration or judicial settlement. In second contingency, where immediate threat of war exists, Council meets, urges both parties refrain from hostile acts, may indicate to parties steps such as movements of troops from which they should refrain, and send representatives to locality of dispute. Only if after such efforts one party disregards recommendation Council according to Report may manifest formal disapproval or recommend members to withdraw diplomatic representatives and that if and when these further steps fail, it may recommend further warning measures such as naval demonstration.

It is clear that neither in the *condition* giving rise to the Council's intervention nor in the *procedure* followed does this Report warrant present proposals. The *condition* is war or threat of war; every repudiation of treaties of type contemplated, however disturbing to good relations, does not necessarily involve threat of war; if in any given instance it is considered to do so, any member can raise question before League on that ground. The *procedure* under Article XI is one of conciliation, prevention, discussion with both parties, and "cease fire" efforts. Only after such efforts are further recommendations made and not for sanctions, but for warning demonstrations.

7. If Article XI as it now stands, warrants or requires the interpretation now proposed to give it, it would require to be applied universally. There is nothing in the Covenant making it applicable to Europe and not to Africa, America, Asia, and Australasia.

8. As regards unanimity requirement for application of Article XI, we believe that provided this Article continues to be used for conciliation and is not made primarily a sanctions instrument, it would be desirable that votes of the parties concerned should not be required for unanimity. We agree with United Kingdom representative that if this were sought, it would be desirable to consult jurists and probably necessary in order to avoid any uncertainty to follow this by consulting the Permanent Court.

9. Please continue your helpful reports on developments. Message ends.

389.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 80 Geneva, May 28, 1935

IMMEDIATE. Sanctions Committee. Yesterday, Monday, made statement in accordance with your instructions . . . .

Replying to Canada, France affirmed that Council had already decided upon question of policy and that as to character of measures envisaged they were not sanctions but pressure intended to prevent war. Submitted new draft not different in substance which Massigli summarised as follows:

1. Council will be the fact-finding authority.

2. It will first formulate general recommendations for which guidance will be found in Report of 1927.

3. It will then call upon signatory States to concert together upon particular measures which might be applied. These measures will vary according to circumstances. Generally an embargo on raw materials will be less disturbing to economic life.

4. In cases where action of signatories is insufficient, Council will be requested to ask more States to cooperate.

5. Votes of repudiating States will not be considered for purposes of unanimity.

390.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 84 Geneva, May 29, 1935

Sanctions Committee closed its first session this morning. Will meet again July 24th. Legal Sub-Committee will meet June 24th and Economic and Financial Sub-Committee July 1st. On former will be represented United Kingdom, France, Italy, Netherlands, Poland, Turkey, U.S.S.R. and Yugoslavia. On the latter, United Kingdom, Canada, Chile, France, Italy, Hungary, Spain, U.S.S.R. Da Mata (Portugal) will preside over both. Countries not represented on a Sub-Committee may submit memoranda and appear before it. Untimely intervention of Soviet delegate obliged me and Polish delegate to reassert our standpoint.

391.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 94 Geneva, July 3, 1935

Economic and Financial Sub-Committee of Committee of Thirteen has decided to draw up list of supplies which might be withheld from a State repudiating its international obligations. Tentative list includes (1) arms and war materials; (2) principal products of importance for war manufacture (manganese chrome tungsten molybdenum vanadium uranium selenium cobalt antimony bauxite, either in ore, metal or alloy, nickel spiegel cadmium mercury carbonate magnesium, cotton waste, castor oil, certain chemical products; (3) other products of less importance.

During general debate Chile and Spain raised [question of] "mutual support" referred to in paragraph 3, Article XVI.

Should appreciate knowing general attitude I should take Sub-Committee; whether you desire me to submit observations regarding products listed above.

392.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 97 Geneva, July 8, 1935

MOST IMMEDIATE. Your telegram of the 6th July, No. 31, Sub-Committee's Report now being drawn up. Essential to have instructions tonight since tomorrow morning last opportunity of Canada's point of view being taken into consideration in Sub-Committee's Report. Sub-Committee will finish this week.

393.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 32 Ottawa, July 8, 1935

IMMEDIATE. Your telegram No. 97 July 8th. In view of general situation we wish to avoid raising obstacles or taking position which could be construed as lack of cooperation in sub-committee's work.

2. In sub-committee you should state, therefore, that in any contingency where it is agreed that economic sanctions should be applied withholding key products and raw materials is one important method of applying them. List of such key products and raw materials to be effective should be com-

prehensive. In view of the fact that they constitute a very large proportion of total production of many countries and that they would not be effective unless they were applied generally, it would be desirable that any recommendation for withholding key products and raw materials be balanced by equally strong recommendations respecting embargoes on exports from and credit facilities to repudiating country, and that sub-committee's report should recommend that any recommendation of Council that key products and raw materials be withheld in circumstances envisaged should also include recommendation for embargoes on exports from and credit facilities to repudiating country. The application of such recommendation should also take into account acceptance by all countries from which substantial quantities of key products and raw materials could be obtained. In this way the sanction would be made most effective and the burden of control would be spread as widely as possible over participating countries.

Point out that sub-committee should not limit itself to points above mentioned, but should examine also effectiveness of restrictions on passports, limitation of postal privileges, patents, etc.

Following for your information: The Canadian Government has been endeavouring to cooperate with work of sub-committee by drawing up, in consultation with National Research Council of Canada, list of key products and raw materials which would be most effective. In view of the shortness of time available and of the fact that sub-committee has already decided upon a tentative list, we would not feel justified in delaying proceedings for the time necessary to complete it. (We assume that list outlined in your telegram No. 94 of July 3rd includes iron, copper, etc., and in case of non-industrial countries such products as motor lorries, etc. If not, you might suggest their addition.) We feel it would be desirable also that any list drawn up as a basis for recommendations should avoid any suggestion that it is related to contraband in war time. We do not consider it necessary to comment specially on paragraphs (5) (6) and (7) of Document C.O.S.C. 5(1). Legislative and administrative means would vary in different countries and would not be important so long as satisfactory results were secured.

The question of whether or not sanctions are properly applicable under the Covenant in case of repudiation of international obligations is a separate question which you should not discuss in sub-committee. You will receive instructions later for discussion in main committee.

394.

Le Conseiller au secrétaire d'État aux Affaires extérieures

Advisory Officer to Secretary of State for External Affairs

TELEGRAM 98 Geneva, July 15, 1935

Economic and Financial Sub-Committee of Committee of Thirteen completed its work on Saturday by adopting 21 pages of Report.

Report suggests that supplies which might be withheld from repudiating country fall into three categories:

(1) Arms and ammunition and implements of war;

(2) Key products required for manufacture of armaments, importation of which into a country can be prohibited without seriously interfering with its economic life;

(3) Other products required for manufacture of armaments and warlike preparations but which are also widely employed in industries.

Sub-Committee while approving principle of establishment of lists did not consider itself competent to draw them up. It considered category (2) should be as complete as possible but should include only commodities whose warlike uses are more important than their commercial uses. To be effective the system of pressure envisaged must include all important producers of any designated products.

With regard to question of interrupting exports from repudiating State, Report confines itself to stating arguments pro (Canada) and con (Italy). Main Italian arguments are:

(*a*) This measure may deprive repudiating country of possibility of importing essential requirements for its civilian population or raw materials necessary for production which has peaceful ends;

(*b*) Exports from repudiating country might constitute necessary imports or imports greatly needed by country receiving them in ordinary way.

End of Part 1; Part 2 follows.

395.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 98 Geneva, July 16, 1935

Part 2. Report states that participating countries should find no difficulty in prohibiting financial accommodation being accorded directly to repudiating Government. Such prohibition could include following:

(*a*) Opening of a credit in favour of Government concerned by one of participating Governments;

(*b*) Public issue of a loan by the Government concerned in one of participating States;

(*c*) Short term credit operations in favour of Government concerned in one of participating States.

Regarding administrative machinery required to prevent supplies reaching repudiating country by indirect as well as direct channels the Report reproduces British Memorandum reviewing a number of possible measures (general prohibition to re-export, licenses, supervision by League representatives; quotas, evidence that goods have been actually landed in a participating country, exclusion of ships and nationals of repudiating country altogether from trade in designated products, etc.) among which opportunity for creating in non-participating countries special associations of buyers composed of individuals of known reliability in sympathy with objects of League which could make it a condition under a bond that product withheld should not be resold; and that certain manufactured articles containing it should only be sold under prescribed condition so framed as to prevent it getting into the hands of repudiating country.

It is suggested that interruption of repudiating country exports can be based on dates of shipment and that administrative difficulties may be lessened by restricting interruption to limited list of staple products.

Main Committee's attention is drawn to possible difficulties in connection with commercial, navigation and transit treaties and to possibilities in absence of plurilateral agreement of securing series of regional agreements.

Your telegram 8th July No. 32 was received just in time to have views expressed therein embodied in Sub-Committee's Report. Would appreciate knowing your views before meeting July 24th especially on following points:

(*a*) Question of constitution of association of purchasers (it has been suggested that precedent for such creation is to be found in associations created in neutral States of Europe during Great War);

(*b*) Principle of regional agreements (delegate of Chile seemed to favour this on ground that it would relieve his country of obligation of taking position on a general agreement);

(*c*) Whether some kind of mutual support as contemplated in Article XVI should not be envisaged. (Representatives of Chile and Spain insisted this question should be considered. Sub-Committee agreed with me that measures contemplated were likely to disturb economic life of participating countries as well as repudiating countries and approved my suggestion that burden be equitably distributed.)

Full text will be mailed as soon as available. Ends.

396.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 34 Ottawa, July 23, 1935

Your telegram No. 98, July 15th. In view of gravity of general situation now confronting the League, we do not desire you to emphasize question of

whether economic and financial sanctions should be applied in cases of treaty repudiation endangering peace. We fear that such a stand at present might be seized upon by certain members of Committee and made pretext for abandoning discussions which they now find inconvenient and wish to stop on other grounds.

In view of concurrent important meeting of Council, postpone if possible entering discussion until representatives of Great Powers in Committee have made their position clear. Please cable summaries of trend of discussion and Committee's proposals and probable length of Committee session.

Assume Committee, in drawing up its Report to Council, will find it necessary to reach decisions upon following questions:

Legal Questions

(1) May economic and financial measures be taken under Article 11?

Sub-Committee's view appears to be open to two objections: (a) it does not take account of situation where danger to peace directly arises not so much from repudiation as from attitude of another state which feels itself prejudiced by repudiation, and (b) Covenant is universal in its application and cannot be used to apply sanctions to safeguard peace in Europe only while taking no such action to safeguard peace in extra European countries.

You should point out that in our opinion it would be an unfortunate development if Article 11 should lose its established character as the League's instrument of conciliation rather than of punishment and that it should not be allowed to develop into a secondary Article 16. Refer to document A. 14, 1927, and point out that a sanction is a sanction whether so labelled or not.

(2) Unanimity Requirement

It is now clear from Sub-Committee's Report that to get authoritative interpretation of Article it would be necessary to secure an advisory opinion from Permanent Court of International Justice. We agree with United Kingdom delegate that this would be most satisfactory method of securing answer to question.

Economic and Financial Questions

In the discussion you might emphasize that careful study which has been made by the Sub-Committee into question of applying economic and financial sanctions will constitute a useful contribution to discussion of sanctions to be applied under Article 16 if the occasion arises. You might then continue by re-emphasizing point of view set forth in paragraph 2 of my telegram No. 32 of July 8th.

We assume that Committee, unless uncertainty respecting interpretation of unanimity procedure under Article 11 should preclude further action pending advisory opinion, will turn to the Protocol adumbrated in French Note. This applies principle of regional agreement and need not be opposed.

With respect to your other questions we do not wish to take stand against the possibility of organizing reliable Associations of Purchasers in non-participating countries if they are favoured by majority of Committee. We feel, however, that if non-participating group were considerable and especially if it contained countries with highly developed industrial structures such Associations would scarcely be workable. (Countries where plan was adopted during blockade of Central Powers were for most part small and subject to wartime pressures which countries in participating group would be in no position to apply.)

If you think it desirable you may support views of Spanish and Chilean representatives respecting desirability of proposed Protocol between European states containing provision for mutual assistance.

397.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 101 Geneva, July 25, 1935

IMMEDIATE. Committee of Thirteen. Please specify passages of document A. 14, 1927, you had in mind when suggesting to refer to this document in your telegram of the 23rd July, No. 34, Part I. You will have observed that Legal Sub-Committee also refers to that document in their Report in support of their own views.

398.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 35 Ottawa, July 25, 1935

Your telegram No. 101 July 25th. Reference is to page 31 mentioned in your letter of July 2nd, intention being merely to refute idea propounded in Sub-Committee on authority of report in document A. 14, 1927, that application of economic measures in the circumstances envisaged in the Resolution cannot be considered a sanction in that they are not compulsory and are not penalties intended to punish an illegal act. Our point of view is that the application of economic and financial measures in the circumstances would, in effect, be a sanction whether so labelled or not and would have effect of impairing established character of Article XI as League's instrument of conciliation rather than of punishment.

Regret our reference, in desire to curtail cable charges, was somewhat too cryptic.

399.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 172 London, July 26, 1935

STRICTLY SECRET. The Foreign Secretary has called confidential meeting of Dominions, Monday, to discuss Italian-Abyssinian position. Please advise at once what attitude you desire me to take. Ends.

FERGUSON

400.

Le secrétaire d'État par intérim aux Affaires extérieures
au Haut commissaire
Acting Secretary of State for External Affairs to High Commissioner

PARAPHRASE OF TELEGRAM 149 Ottawa, July 26, 1935

SECRET. Your telegram No. 172 of the 26th July, Strictly Secret. The Abyssinian situation has given us much concern. We realize dangerous repercussions on European situation of any conflict between Italy and other members of the League of Nations, but if Italy persists in threat to attack Abyssinia we consider League cannot evade task of seeking to effect conciliation and of considering what further action may be taken under the Covenant if this fails. Unless an earlier solution is reached, we assume question will come before Assembly in September or earlier if situation becomes more critical. We appreciate the sincere and tireless efforts of United Kingdom Government to prevent dispute developing into armed conflict, but we have no information regarding policy United Kingdom Government now propose to adopt and under these circumstances you should not express any opinion at Monday conference but should obtain and undertake to transmit to us views of United Kingdom. We shall then indicate our views. We noted British proposal contained in telegram B. 77 of the 15th July for preliminary discussion with Italy and France and had intended to request further particulars as to nature of economic solution proposed and meaning of proposal to secure definition of respective economic interests of United Kingdom and Italy. The refusal of Italy to participate in such preliminary discussion made it unnecessary to raise this question.

401.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM Geneva, July 27, 1935

SECRET. Council likely to meet on 1st August to deal with Italian-Ethiopian situation. The official League opinion is that Mussolini is determined to make war on Abyssinia, believing that it would not only extend territorial possessions of Italy but would strengthen national life and morale, creating new interests and relieving unemployment; that he has counted costs and considers members of the League of Nations will offer little effective opposition; that war will last for years but in spite of reverses their gains will be sufficient to maintain public interest at home.

It is considered, on these premises, that since he desires war, no piecemeal arrangement of territories offered by Great Powers will have any effect and nothing will stop him short of a declaration on the part of members of the League that they will invoke Article XVI.

It is hoped that Council at forthcoming Session will limit its action to appointing fifth arbitrator and urging parties to settle dispute by peaceful means in order to gain time for France to realize that Italy is determined to use war as an instrument of national policy. Message ends.

402.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 103 Geneva, July 30, 1935

Considering it was impossible to submit satisfactory report to Council before receiving report on list of key products from Committee of Technological Experts (now being constituted), Committee of Thirteen yesterday afternoon decided to adjourn until early in 1936. Committee requested Technological Experts to report by November 30th. Delegations are now invited to have their jurists study juridical questions raised by Economic and Financial Sub-Committee's Report, Section 10 and Section 12.

Hungarian representative renewed general reservations and Chilean representative expressed opinion that under the circumstances only alternatives for Committee of Thirteen to consider were an amendment to Article V (Unanimity rule) and Regional Agreement. I urged that Experts should include Experts from countries producing important raw materials.

403.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM Ottawa, August 15, 1935

CONFIDENTIAL. PERSONAL. We have passed Order-in-Council appointing you representative to the League of Nations Assembly in September. Other members of delegation are J. H. Woods, Calgary, Professor Montpetit, Montreal, Miss Winnifred Kydd, President National Council of Women, Riddell and Désy. Assembly meets September 9th. Hope your plans will permit your attending in view of importance of questions which may arise and impossibility of any member of Government being absent from Canada during September.

BENNETT

404.

Le sous-secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Under-Secretary of State for External Affairs to Minister in United States

PRIVATE AND CONFIDENTIAL Ottawa, August 23, 1935

My dear Mr. Herridge,

I have been greatly interested in your letter of August 20th and our telephone conversation of Thursday night on the European situation.

The question is one on which the public have been taking a rather detached interest. Our own troubles have been sufficient to prevent Ethiopia being regarded as anything [other] than as a diversion—a new colour film in which Signor Mussolini struts his usual magnificent role. It is only with the approach of the League meeting in September that a possible direct interest for Canada is coming home.

In Great Britain the question has been more seriously considered. Britain's naval position in the Mediterranean and her interest in the control of the source of the waters of the Blue Nile, give her special concern, and the plebiscite which the League of Nations Union recently held gave an impressive indication of the strength of pro-League and pro-sanctions policy. Her Government has made an honest attempt to keep the peace, but France's greater preoccupation with the Continental situation, and the commitments given by Laval in January have prevented France from trying similarly to apply the brake on Italy, until now it looks as if the machine

was over the hill and nothing would stop it until it got to the bottom. South Africa and the Irish Free State are strong for maintaining the rights of little nations. Australia is doubtful of the practicability of economic sanction.

Our own Government has as yet expressed no definite view. The Prime Minister is definitely opposed to undertaking military sanctions, but leans to the imposition of economic sanctions under Article 16 of the Covenant if definite aggressive action is taken by Italy. My personal prejudices are against taking any action, but I am not wholly satisfied that we can avoid the clear implications of our League undertakings. I enclose a copy of a short memo[1] I am going to show the Prime Minister on Monday. I also enclose a copy of a telegram[1] from Vanier reporting a discussion with the British Foreign Secretary, or at least an audience with him. We have just received a cypher telegram from London, indicating the British position on the matter, and if this is decoded before the Washington mail closes, I shall send it to you.

Yours sincerely,

O. D. SKELTON

405.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.87 London, August 23, 1935

MOST SECRET. Following for your Prime Minister. Begins. Most Secret. Following is outline of policy in connection with dispute between Italy and Abyssinia which, in a situation of great difficulty and complexity, commends itself to the Government here for pursuance during the next few weeks.

(*a*) That delegates of United Kingdom at Geneva next month should be authorized to reaffirm statement made in Parliament as to our intention to fulfil our Treaty obligations (particularly statements made by the Foreign Secretary in the House of Commons on July 11th, see my despatch of the 12th July, Circular B. 96, and on 1st August, my despatch August 2nd, Circular B. 105).

(*b*) That it would be desirable to keep in step with policy of French Government and more particularly in the matter of sanctions to avoid any commitments which France was not equally prepared to assume.

(*c*) That United Kingdom delegates should have authority to make this policy clear at such time and on such occasion as they might deem to be best.

(*d*) That it would be well to aim at following closely the procedure laid down in the Covenant (with interpretation adopted by Assembly in 1921) with due regard to the many difficulties. Generally it should be made clear that question of sanctions is one which members of the

[1] Non reproduit. [1] Not printed.

League of Nations should examine in cooperation and with a view to collective action, but the possibility that some foreign countries might not in practice fulfil their commitments should not be overlooked.

Meanwhile so far as the United Kingdom is concerned, no change is being made in existing embargo on the export of arms to both parties.

Also, in order so far as practicable to guard against risks arising from possible unfavourable developments, various steps are being taken as unobtrusively as possible to strengthen somewhat our naval and air forces and anti-aircraft defences in the region more particularly affected. Of course you will realize extreme importance of keeping secret the information in this paragraph.

The line which is being followed with press has been confined to explanation that no further developments are to be expected during the next few days and that no change in Government policy has been made from that adopted at Paris Conference or as regards the League of Nations or in the matter of issue of licences for export of arms. Ends.

406.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 62 Ottawa, September 3, 1935

SECRET. Your telegram 23rd August, Circular B.87, Ethiopian-Italian dispute. The reports on the evolution of the policy of His Majesty's Government in the United Kingdom and the progress of negotiations with France and Italy have been appreciated by His Majesty's Government in Canada. They have noted the readiness of His Majesty's Government in the United Kingdom to discuss development of dispute with resident representatives of Dominions in London and recognize the value of these opportunities for informal discussion, but believe that they should not be regarded as a substitute for direct exchange of views between His Majesty's Governments, for the time being at least. Similarly, His Majesty's Government in Canada hope that the conversations which will take place between the Commonwealth Delegations in Geneva may continue to be supplemented by telegraphic communication between London and Ottawa.

2. The unremitting efforts of the United Kingdom to secure peaceful settlement of dispute by negotiation have been followed with sympathy by the Canadian Government and they recognize that as a result of failure of those efforts the members of the League of Nations are now confronted with a very grave situation. The Canadian Government for their part are prepared to cooperate in every helpful way in securing a peaceful settlement of the dispute

in accordance with the provisions of the Covenant, although they are not aware of any distinctive or individual contribution that they could make to such a settlement.

3. His Majesty's Government in Canada had hoped that the increasing moral and political isolation of Italy which could be made manifest at the forthcoming Assembly would ultimately deter Signor Mussolini from overt aggression and avert the necessity of considering the consequences of such action. On the 28th August a statement of the Italian case was communicated to us by the Italian Consul-General which indicated some increasing readiness to discuss the merits of the dispute before the League. In a reply made on August 31st opportunity was taken of stating that the Canadian Government did not recognize the right of any signatory of the Covenant of the League or the Briand-Kellogg pact to enforce its claims by arms in disregard of the procedure and obligations therein provided.

4. The desire of the Government of the United Kingdom to maintain the obligations and procedure of the League is shared by His Majesty's Government in Canada, and they will be prepared if occasion arises to discuss with other members of the League the question of application of economic sanctions.

5. Public opinion in Canada recognizes the importance of preserving the League from the loss of authority consequent on failure to carry out the undertakings of the Covenant, whether wisely made or not, and the undoubtedly aggressive character of declared Italian policy. From the beginning of the League the prevalent Canadian opinion as regards sanctions has been one of doubt as to the feasibility of their application in the absence of important States from the universal membership contemplated when the Covenant was drafted, and of doubt also as to whether in practice European States which have most strongly urged the automatic application and the extension of sanctions would apply them in any case where their own immediate interests were not in jeopardy. The Canadian Government note the decision of the United Kingdom Government that it is desirable to avoid any commitments as to sanctions which France is not equally prepared to assume, and appreciate the force of this consideration. The bearing of French policy on the policy of the United Kingdom is paralleled in some measure in Canada by the necessary consideration of the bearing of recent developments in the foreign policy of the United States of America and particularly the Neutrality Resolutions. The same factors of distance and of preoccupation with domestic economic issues which have been operating in the United States operate in a lesser degree in Canada, and may be reinforced by reports of the unfortunate concessions recently granted by Ethiopia. Condemnation by public opinion of the threatened Italian exploitation of Ethiopia does not imply any readiness to support counter claims of any other country or its nationals to concessions or control.

6. The Canadian delegation to the Assembly have received general instructions which will be supplemented when issue takes more definite shape after the deliberations of the Council. We have refrained, while negotiations are continuing, from making any public statements. We should be glad to be informed of any indication given by France of its attitude in the coming discussions. Message ends.

407.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 46 Ottawa, September 13, 1935

MOST IMMEDIATE. CONFIDENTIAL. Your telegram No. 122 and my telegram No. 44 this date. As Ethiopian question has not yet been referred to Assembly, participation in debate at this stage is not imperative. If delegation regard it as advisable, High Commissioner may make following statement. Begins. Canada believes the League of Nations is an indispensable agency for world peace. We cannot agree that any member is warranted in resorting to war to enforce its claims, in violation of its solemn pledges to seek and find a peaceful settlement of every dispute. We hope that an honourable and peaceful solution of the Ethiopian controversy will yet be reached. If unfortunately this proves not to be the case, Canada will join with the other members of the League in considering how by unanimous action peace can be maintained. Ends.

408.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM Geneva, October 2, 1935

MOST IMMEDIATE. Negus has informed Secretariat that Italian Army has crossed frontier into Ethiopia. Council meeting tomorrow.

409.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM Geneva, October 3, 1935

MOST IMMEDIATE. SECRET. My telegram No. 139, 3rd October. The United Kingdom pressing for immediate Council meeting, but in view of

Laval's desire to attend French Cabinet meeting tomorrow and request of Aloisi for short delay to permit Italian attendance, Secretary General is notifying members of Council that meeting will be held at 10:30 a.m., Saturday. It is felt there is some danger of efforts being made to confuse issues by spinning out League procedure. The United Kingdom delegation are determined to avoid this and will force a decision at the earliest possible moment whether paragraph 1, Article 12, Covenant violated. If decision in affirmative then it is considered by United Kingdom that decision as to application of Article 16 becomes automatic responsibility of member States.

Question of reconvening Assembly also likely to be discussed immediately. The representatives of the United Kingdom returned from London reporting that Cabinet gave 100 per cent approval to policy pursued by United Kingdom. Ends.

410.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

PARAPHRASE OF TELEGRAM 56 Ottawa, October 4, 1935

SECRET. Your telegram of the 3rd October. We assume statement of United Kingdom position and particularly reference to decision by Council whether Covenant violated is stated in general terms. It is clear that each member of League must decide for itself whether a breach has been committed. Ends.

411.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 144 Geneva, October 7, 1935

MOST IMMEDIATE. CONFIDENTIAL. Report of Committee of Six agreed upon last night and accepted this morning by Laval who was unable to attend meeting yesterday. Report discusses recent Italian military action, the obligation of States under the Covenant and Pact of Paris to refrain from such action and to settle all disputes by peaceful means, and then concludes "The Italian Government has resorted to war in violation of Article XII of the Covenant". Following paragraph of the Report caused most trouble in view of its European implication:

> Without prejudice to other limitations to their right to have recourse to war, the members of the League are not entitled, without having first complied with the provisions of Article XII, Article XIII and Article XV, to seek a remedy by war for grievances they consider to have against other members of the League. Adoption by a State of measures of security on its own territory and within the limits of its international agreements does not authorize another State to consider itself free from its obligations under the Covenant.

Above Report to be presented to Council this (word omitted) and each member to be asked to state its position thereto. Report likely to be accepted by all members except Italy. Aloisi will probably make statement complaining that Italy is condemned without having had an opportunity to answer charges of Report.

The Report of Committee of Thirteen also to be adopted this afternoon when Eden certainly and Laval probably will make statement replying to Aloisi's statement of Saturday.[1]

Next stage is forwarding Reports in question and Minutes of Council to Assembly members to which the whole question will probably be turned over Wednesday. Procedure visualised is that members of Assembly will then be asked to state their position on Report of Committee of Six and that if Report accepted, a Sanctions Committee will then be set up to discuss what action under Article XVI shall be taken and how to coordinate such. This task might be given to Council by Assembly but United Kingdom and others prefer to keep it in Assembly.

United Kingdom emphasized at Commonwealth meeting this morning that in their view: (1) Recommendations of such a Sanctions Committee would have to be accepted by all States whose cooperation essential for genuine collective action; (2) That sanctions would be economic and financial and progressive in character as visualised in Article 14 [of the] interpretative resolution re Article XVI adopted by Assembly October 4th, 1921; (3) That while acceptance by a State of decision that Italy has resorted to war involves for that State obligations of Article XVI, yet action implementing these obligations is determined not by a literal reading of paragraph 1 of Article XVI, but by agreed recommendations [for] collective action on the part of those States who have decided [that] resort to war has taken place. In other words sanction obligations are governed by interpretative resolutions of 1921, notably resolution No. 10.

Hawtrey, Treasury, and Wills, Board of Trade, arrived this morning with tentative scheme for economic and financial sanctions for Eden's consideration. Hope to be able to report on this shortly.

Would emphasize most strongly that delegations to Assembly may be asked to declare themselves Thursday on Council's decision that Italy has resorted to war and that therefore explicit instructions as to Canada's position should reach us in time to give us an opportunity to submit any considerations thereon, if such seems necessary in the light of developments here, and to receive your reply. Should Canada seek accept or refuse membership on Committee charged to draw up plans for collective sanctions if one set up by Assembly? Message ends.

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[1] Les deux derniers mots furent ajoutés à la suite du télégramme 146 du 7 octobre.

[1] The last two words were added in telegram 146 of October 7.

412.

Le Premier ministre au Conseiller
Prime Minister to Advisory Officer

TELEGRAM Ottawa, October 9, 1935

IMMEDIATE. Ferguson should make following statement. Begins. The Canadian delegation is instructed to refrain from voting at the present juncture. The Canadian Government consider the decision to be taken is one of the greatest moment for the future relations of Canada to the League. In view of fact that the Canadian Parliament has been dissolved and that a new Parliament is to be elected next Monday, it is not considered advisable to anticipate in any way the action of that new Parliament. Ends.

R. B. BENNETT

413.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM Ottawa, October 9, 1935

IMMEDIATE. Your telegram No. 144, last sentence. Prime Minister's view regarding membership on Sanctions Committee is that we should not seek place, but in certain contingencies should not refuse if requested to serve. If Canadian membership proposed advise us immediately. In any case we shall indicate at later date our views as to types of sanctions that would be appropriate in the event of Canada participating in applying economic sanctions.

414.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 150 Geneva, October 9, 1935

MOST IMMEDIATE. Reference your unnumbered telegram October 9th, all members of Commonwealth at meeting last night agreed at Assembly today votes should be taken at once on straight question of fact that Italy had violated Covenant. This has already been decided by Council members for themselves. The feeling is general that no good purpose could possibly be served by further debate. Delegation of course will be given every opportunity of making statement if they so desire at time of voting or immediately

afterwards. British have discussed this procedure with other members of the League of Nations and expect that it will be acceptable to all except Italy. It is generally felt here that as facts of the case are so clear and as war has already broken out it is neither necessary nor desirable to delay decision by individual States as to who is the aggressor. Latest canvassed position as given by Eden last night was that Hungary alone would abstain from voting to declare Italy as aggressor. Stated Switzerland and Austria will vote yes but may reserve right to ask at a subsequent stage for special consideration on account of German situation.

All other Commonwealth delegations will join in declaring Italy violator of Covenant. It should be appreciated that this is merely a declaration as to who is aggressor and that actual form of application of sanctions which may be recommended by Committee that will be appointed may be accepted or modified by individual State members of the League of Nations. Our acceptance today fact of Italian aggression would, of course, be without prejudice to our attitude towards any scheme of sanctions which might be later proposed. Hope you realize Canada's abstention under these conditions will without question be misinterpreted here and its importance magnified. Have discussed the matter fully with our Canadian delegation and all agree with above views. Ferguson.

415.

Le sous-secrétaire d'État aux Affaires extérieures au secrétaire du Premier ministre

Under-Secretary of State for External Affairs to Secretary of Prime Minister

TELEGRAM Ottawa, October 9, 1935

RUSH. Geneva telegram which was phoned to you this morning states "All other Commonwealth delegations will join in declaring Italy violator of Covenant. It should be appreciated that this is merely declaration as to who is aggressor and that actual form of application of sanctions which will be recommended by Committee that will be appointed may be accepted or modified by individual State members of League of Nations. Our acceptance today fact of Italian aggression would of course be without prejudice to our attitude towards any scheme of sanctions which might be later proposed. Hope you realize Canada's abstention under these conditons will without question be misinterpreted here and its importance magnified."

2. It is of course correct that formal action in Assembly is limited to declaration by each country it considers Italy has violated Covenant. Such action, however, if not accompanied or followed by statement would without any possible question be taken in Geneva as committing Canada to applica-

tion of economic sanctions. Previous Geneva telegrams made absolutely clear that in opinion of United Kingdom "Formal acceptance by a State of decision that Italy has resorted to war involves for that State obligations of Article Sixteen." This is accepted construction or in other words using this form of words would in view of established procedure be equivalent to a declaration that Canada definitely undertakes to apply sanctions. Committee will not determine whether sanctions are to be applied but merely recommend what form of economic or financial sanctions should be applied at outset. Any country might then present differing views as to particular type of sanctions but only as to type. If the Prime Minister's authorization to delegation to vote for formal designation of Italy as aggressor was based on understanding that this left new Canadian Parliament free to determine whether or not economic sanctions would be applied and if it is desired to maintain position taken last night that new Parliament should not be committed it seems essential that this should be made clear in statement at Geneva today if time makes it possible to send word in time which is very unlikely or in Canada as soon as possible after the vote has been taken at Geneva.

3. My alternative suggestion yesterday was for statement indicating first, our agreement that Italy had violated its Covenant obligations, second, as to sanctions that Canada had repeatedly and formally nineteen twentyfive twentysix and twentyeight recorded dissent from sanctions policy, third, that Government was not prepared in present parliamentary situation to reverse that position, fourth, in present instance however it would be prepared to consider with other members of League the possibilities of economic and financial sanctions and to recommend to new Parliament adoption of appropriate economic [sanctions] but not military sanctions.

4. It would however appear more in harmony with the Prime Minister's view of yesterday that any statement which he made should (first) refer to action taken by Assembly and add that in August last Canadian Government had taken opportunity to indicate to Government of Italy in connection with certain representations it had made as to alleged Ethiopian provocation that we were not aware of any considerations which would warrant any party to an international dispute seeking to impose its claims by armed force in disregard of its solemn pledges under Covenant and Briand-Kellogg Pact and (second) in view of fact that Canadian Parliament has been dissolved and that a new Parliament is to be elected next week it is not considered advisable to make any commitment as to whether or not economic sanctions should be applied by Canada, in anticipation of any action of that new Parliament.

5. As regards going on Sanctions Committee understood position was that we should not seek but should not refuse place. My personal view would be that it would be advantageous to accept invitation to serve provided it is decided to make here some such statement as above, otherwise acceptance of membership would constitute further unqualified commitment to enforce sanctions.

6. Should appreciate being informed of Prime Minister's decision and if he makes statement either to press or in public address please telegraph immediately giving text.

416.

Le sous-secrétaire d'État aux Affaires extérieures au Premier ministre
Under-Secretary of State for External Affairs to Prime Minister

TELEGRAM Ottawa, October 9, 1935

IMMEDIATE. Following telegram received from Ferguson. Begins. Personal for Bennett. Where can I telephone you 8:30 a.m. your time. Most important. Ends. Following reply sent. Begins. Prime Minister travelling Belleville to Lindsay where he arrives after nine o'clock. Might try him station Lindsay nine thirty. Have repeated your telegram to his car. Ends.

SKELTON

417.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 153 Geneva, October 9, 1935

MOST IMMEDIATE. Your telegram unnumbered referring to my telegram No. 150. Mr. Ferguson received by telephone instructions from Prime Minister to act at his discretion. No Canadian statement necessary, however, as procedure indicated in my telegram No. 150 modified by Bureau this afternoon, in part, because Aloisi made strong protest against vote being taken before he had spoken which he could not do until tomorrow.

On the question of whether Italy has violated Covenant, no standing or oral vote will be taken but question will be put to Assembly by President in the usual way and silence taken as concurrence in conclusions of members of Council on this question.

Austria and Hungary only made statements, refusing to associate themselves with Report of Council members.

Aloisi's statement will open meeting tomorrow morning at half past ten and it is understood that he informed Bureau that he would speak at some length and with vigour. It is anticipated that this will conclude debate as no more delegations have indicated to the President a desire to speak. The President will then declare that so many countries concur in opinion that

Italy has violated the Covenant and will ask if any concurring states desire to speak. Eden and Laval may then reply to Aloisi. Assembly will then proceed to the setting up of Co-ordinating Committee.

418.

Le bureau du Conseiller au secrétaire d'État aux Affaires extérieures
Office of Advisory Officer to Secretary of State for External Affairs

TELEGRAM 156 Geneva, October 10, 1935

MOST IMMEDIATE. Assembly this afternoon adopted Report of its General Committee recommending that members of the League of Nations (other than parties) should set up Committee composed of one delegate, assisted by experts, for each member to consider and facilitate co-ordination of such measures they may severally contemplate and if necessary draw attention of the Council or Assembly to any situation requiring to be examined by them. Vote unanimous, except Italy against, and Austria and Hungary abstained.

States of Little Entente and Balkan Entente informed Assembly they shall scrupulously apply provisions of Covenant. Chile, Venezuela, Uruguay, Ecuador, Peru and Bolivia made statements to the same effect. Ethiopia urged prompt and energetic action, stating she was ready to conclude an honourable peace but will not yield to force.

Committee meets tomorrow Friday morning for organisation. Ferguson will provisionally accept membership on Committee subject to your instructions, with Riddell as substitute. Please wire instructions at once.

Assembly expected to close tomorrow. Will then wire further report on situation.

FERGUSON

419.

Le secrétaire d'État par intérim aux Affaires extérieures
au Chef de la délégation

Acting Secretary of State for External Affairs
to Head of Delegation

TELEGRAM Ottawa, October 10, 1935

IMMEDIATE. Your telegram No. 156. As Committee is to consist of all members of Assembly, no objection to accepting membership with arrangements you suggest. Rive can assist Riddell. As practically all Ministers are out of town it will, however, be impossible to send instructions until beginning of week, and no definite attitude should be taken until further communication is sent.

420.

Note par le sous-secrétaire d'État aux Affaires extérieures d'une conversation téléphonique avec le Premier ministre[1]

Note by Under-Secretary of State for External Affairs on a telephone conversation with Prime Minister[1]

[Ottawa,] October 10, 1935

R.B.B. Any further word from Geneva? Understood further telegram was to come.

O.D.S. Only telegram today refers to procedure in voting. Yesterday's telegram was included in my memo to Finlayson.

R.B.B. Have talked with Ferguson . . . agree with him that can decide only one question at time . . . that question now before League is whether Italy is guilty and that only one answer can be made to that: so we will give our verdict of "guilty".

O.D.S. Certainly no question as to Italy's guilt, and we should say so; but to say so without explanation or qualification under circumstances involves commitment to apply sanctions. Ferguson's statement emphatically not a correct or honest picture.

R.B.B. No commitment as to kind of sanctions, and if it did require such commitment, cannot evade that. No doubt we signed Covenant; no doubt of Italy's guilt; we must take the consequences. Talk about honesty! Can you deny we gave our pledge in the Covenant?

O.D.S. No. But I also insist we repeatedly and publicly declared our opposition to sanctions and that whole League development since then re sanctions, disarmament, etc. must be considered, not change our position without fullest consideration, merely because Britain has changed.

R.B.B. Chasing moon-beams—hairsplitting—King's old letters—braintrust business—must be practical men—every part of Empire sees it clearly. We went into League, took benefits, must assume responsibilities or get out, not try to hornswoggle ourselves out. We will vote guilty and make no further statement now. Ferguson says will cable later when question of sanctions comes up.

O.D.S. Must insist question is up now, and is decided by this vote if not qualified.

R.B.B. Well, it will be so decided then.

O.D.S. Quite understand your position, but do not understand how you reconcile it with your instructions Tuesday night and your definite statement you would not seek to commit next Parliament.

[1] Un interurbain de Toronto.

[1] A long-distance call from Toronto.

R.B.B. No inconsistency—deal with one thing at time—whatever government in power next week can deal with next point. No one in Canada is going to deny Italy guilty or object to our saying so. If they did, not going to wriggle out if it meant I didn't get one vote. Have made my position about war clear.

421.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 158 Geneva, October 11, 1935

IMMEDIATE. At the opening of meeting this morning Sanctions Co-ordinating Committee appointed Vasconcellos, (Portugal) as Chairman and set up small Co-ordinating Committee of sixteen consisting of Canada, United Kingdom, France, U.S.S.R., Poland, Spain, South Africa, Argentine, Belgium, Greece, Netherlands, Sweden, Roumania, Switzerland, Turkey, Yugoslavia. Small Committee will submit proposals to big Committee for decision. It will meet for the first time this afternoon, likely to propose lifting of embargo on arms to Ethiopia, reports to big Committee for decision to-night.

422.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 160 Geneva, October 11, 1935

MOST IMMEDIATE. Co-ordinating Committee tonight adopted as proposal number one to State members of the League of Nations, that Governments raise arms embargo on Ethiopia, prohibit immediately export or re-export of arms (Roosevelt list plus gunpowder and explosives) to Italy, whether or not contracts exist, and report to Secretariat on measures taken. Full broadcast from League tonight.

423.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 164 Geneva, October 14, 1935

MOST IMMEDIATE. Co-ordinating Committee adopted today: (a) Proposals to Governments, No. 2 of which refers to credit operations. Governments

are invited to put into operation at once such measures recommended as can be enforced without fresh legislation, and to take all practicable steps to secure that measures recommended are completely put into operation by October 31. (b) Declaration of States that it is recognized that any proposals for action under Article 16 are made on behalf of paragraph 3 which is quoted up to words "Covenant-breaking States"; and took note of (c) Statement by Chairman interpretative of proposal No. 2 to the effect that humanitarian bodies (Red Cross, Religious orders etc.) are exempted.

Committee of Eighteen (18 by the addition of Mexico) referred British and French proposals regarding prohibition of exports and imports to an Economic Sub-Committee on which Canada is represented, and question of mutual support to another Sub-Committee. Economic Sub-Committee is requested to report before the end of this week. A Sub-Committee of Jurists will consider constitutional difficulties of State members.

Would appreciate full instructions on economic sanctions.

424.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 65 Ottawa, October 15, 1935

MOST IMMEDIATE. Your telegram No. 164 of 14th October. In view of results of general election of yesterday and of fact that new Government cannot take over for some days, it will not be possible for you to take position on any further proposals in the meantime.

425.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

TELEGRAM Geneva, October 15, 1935

[PERSONAL.] Unless advised to the contrary, I shall continue to express in Co-ordinating Committee and Sub-Committee Canadian policy regarding sanctions as defined in your communication concerning Committee of Thirteen.

RIDDELL

426.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

TELEGRAM Ottawa, October 15, 1935

MOST IMMEDIATE. PERSONAL. Your personal telegram 15th October. See Prime Minister's telegram of this date. I do not understand your reference to our policy regarding sanctions defined in our communication concerning Committee of Thirteen. Only instructions regarding sanctions were those contained in our telegram of 10th October stating that no definite attitude should be taken until further communication was sent.

SKELTON

427.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

TELEGRAM Geneva, October 16, 1935

MOST IMMEDIATE. PERSONAL. Your telegram 15th October. My reference was to Sanctions Committee of Thirteen set up April 17th in particular to your telegrams No. 32 and No. 34 July 8th and July 23rd.

RIDDELL

428.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 170 Geneva, October 17, 1935

MOST IMMEDIATE. This morning Sub-Committee on economic sanctions decided to place nickel on list of products on which embargo could be put at once, and invited Canadian delegation to ask its Government to examine what arrangements might be made to meet fact that a considerable part of Canadian nickel is processed in and re-exported from the United States.

Meeting tomorrow morning may be the last good opportunity before system of sanctions proposals are adopted to emphasize the views of the Canadian Government in Committee of Thirteen this summer that burden of sanctions should be as equably distributed as possible.

This is understood to mean that an embargo on imports [from] aggressor should parallel embargo on the export of raw materials and that control of raw materials should be comprehensive and, if it is to be effective and equitable, should apply also to the manufacture or derivatives of these materials useful for war purposes.

Although I think most countries accept above views, Swiss today objected to sanctions against Italian exports.

429.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 67 Ottawa, October 18, 1935

Your telegram No. 170, 17th October, regarding nickel. You should inform Sub-Committee that present government does not consider it would be warranted in giving decision, but will take steps to bring the matter immediately to the attention of the head of the incoming administration.

430.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 171 Geneva, October 18, 1935

MOST IMMEDIATE. In the first draft proposal, embargo on key products is applied only on raw materials and not on these products at subsequent stages of manufacture. I discussed this with British and French, and in preliminary discussions in Economic Sub-Committee on Tuesday called attention that such an embargo would be ineffective and would be unfair, affecting producers of raw materials while permitting manufacturing countries to export the same materials after working them up. French raised this question again yesterday in connection with nickel.

As a result of this discussion Drafting Committee will consider insertion after list of raw materials of general provision to the effect that list shall be held to include all substance from which forbidden materials may be readily extracted and all products or derivatives of forbidden materials which represent a stage in the manufacture of implements of war, etc.

Aside from general question of policy, do you think I should support this provision further?

431.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 173 Geneva, October 18, 1935

IMMEDIATE. SECRET. The Government of the United Kingdom have instructed Eden to refrain for the present from taking lead in pushing economic sanctions. I understand that this is due to the fact that French have refused to give British assurance that in the event of British being attacked by Italy, France would come to their aid. The French give as their reason for this interpretation of Article 16 that British should have asked for and received French approval before placing their fleet in the Mediterranean. Ends.

432.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 174 Geneva, October 19, 1935

Tonight Co-ordinating Committee adopted: (a) Proposal No. 3, Prohibition of all imports from Italy; (b) Proposal No. 4, Prohibition of exportation to Italy of certain specified products and measures of Proposal No. 5, mutual support; (c) Resolution transforming Committee of Eighteen into Permanent Committee entrusted with the duty of following execution of proposals already submitted to Governments, and formulating such new proposals as it might think advisable; (d) Resolution requesting Chairman to communicate decisions of Committee to non-member States.

By terms of Proposals Nos. 3 and 4, each Government is requested to inform Committee not later than October 28th of date on which it could be ready to bring measures envisaged into operation. The Committee will meet October 31st for the purpose of fixing, in the light of the replies received, date of coming into force of the same measures.

Annexed to Proposals are opinions of Legal Sub-Committee relating to questions of most favoured nation clause and contracts in the course of execution.

Permanent Committee will examine on their merits cases of certain existing contracts which Governments such as Poland would like to exempt from operation of Measure No. 3.

Swiss reiterate their reservation with regard to Proposal No. 3. Their view, as put forward in Sub-Committee, is that Switzerland should not be required to do more than not to increase her present volume of imports.

During discussion of list of key products, I expressed view that in my personal opinion the list to be equitable should cover manufactures and derivatives of key products, otherwise whole burden of enforcement of embargo on exports to Italy would be placed exclusively on raw materials producing countries. Value of these considerations was recognized in particular by French who suggested that this might be studied by Permanent Committee.

433.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

My dear Dr. Skelton, Geneva, October 22, 1935

It seems to me that you may be interested to receive my personal impressions of the Coordination Committee and, in particular, as much of the atmosphere and general feeling as I may be able to convey in a letter.

2. What stands out most in my memory of the meetings was the intense seriousness of all the delegations and the determination of the great majority that prompt, effective action should be taken. Although the United Kingdom may be said to have taken the initiative in the Assembly, in the Coordination Committee the pressure to action came from many of the smaller States, among which the Netherlands, Rumania, Spain and the Union of South Africa were most conspicuous. All delegates seemed to feel that this was the supreme test of the League and to many had come a belated realisation that they themselves might some day stand in need of collective assistance for the maintenance of their own security.

3. This general demand for action set the Coordination Committee to work immediately on its formation. A Committee of Seventeen, later increased to Eighteen, was at once appointed to make recommendations on measures to be taken by the larger Committee.

4. The Committee of Eighteen in turn set up five Sub-Committees, Financial, Economic, Military, Compensation or Mutual Assistance and Juridical. Canada was represented only on one of these Sub-Committees, namely, the Economic.

5. At the first meetings of the Committee of Seventeen some disposition was shown by various delegations to enter into a technical discussion of the legal implications of Article 16 and the status of the Assembly Resolutions of 1921. The Swiss and Argentine delegates appeared ready and willing to split any number of legal hairs. Titulesco objected strongly to the Committee embarking on this useless discussion arguing that their task was to make definite practical recommendations. He was supported by Mr. Ferguson, who stressed the urgency of action and suggested that an arms

embargo and financial sanctions be given immediate consideration. His remarks were received with applause, and, although some delegates were still prepared to discuss the legal aspects of sanctions the feeling of the meeting was overwhelming in accord with Mr. Ferguson. The Chairman continued the debate by reading the Assembly Resolution No. 1, of October 4th, 1921:

> 1. The Resolutions and the proposals for amendments to Article 16 which have been adopted by the Assembly shall, so long as the amendments have not been put into force in the form required by the Covenant, constitute rules for guidance which the Assembly recommends, as a provisional measure, to the Council and to the Members of the League in connection with the application of Article 16.

The Committee then proceeded to a discussion of the application of an arms embargo, and by evening had agreed upon Proposal No. 1, which was forwarded to you by radio-telegraph the same evening.

6. Very little need be said on the other four proposals which were subsequently adopted by the Committee of Coordination, but you will perhaps appreciate some comments on the temper of the meetings. Throughout the sittings of the Committee and Sub-Committees one felt a determination to make a strenuous effort to test the power of sanctions in this dispute, and to press forward without delay in the formulation of proposals. The two exceptions, aside from Austria, Hungary and Albania, were the delegations of Switzerland and Argentina who rendered lip service to the aims of the Committee but who raised innumerable difficulties.

7. In the meeting of the Committee of Eighteen on the morning of October 14th, the Argentine delegate made a general statement pointing out that Argentina was in a peculiar situation similar to that described by M. Motta, who had called the attention of the Committee to the fact that three cantons of the Swiss Federation were of Italian origin. The Argentine contained about a million Italians, and he thought it would be readily understood by the Committee that a strict application of Article 16 would, as the Swiss delegate had said, be full of "explosive material". He asked if the Committee realized the damage of all kinds, economic and social which the relentless application of certain sanctions would involve for his country, and made a vague plea for special consideration for all Latin-American countries. He stated further that the Argentine Government could not enact legislative measures when, as at present, Congress was not in session, and that any measures decided upon would have to be referred to the Supreme Court for an opinion on its constitutionality.

8. The import of this speech was not clear to the Committee. It exploded in their midst, causing consternation and dismay, but leaving the Argentine position even more obscure in the dust and smoke. The Mexican delegate, M. Gomez, rose at once to dissociate himself entirely from the statement of the Argentine delegate, and in particular from the statement as to the peculiar situation of the countries of Latin America.

9. Again Mr. Ferguson intervened in the debate with salutary effect, saying that he had been surprised and genuinely alarmed by the Argentine delegate's declaration. He hoped he had been mistaken in his interpretation of it. If the Argentine delegate meant that resort would have to be had to the Supreme Court before any action could be taken by his country, it would be quite uncertain when anything could be done by that Government towards the application of sanctions. This being so, Canada and no doubt many other countries, would be placed in a difficult position. Canada had joined the League and assumed her obligations with full knowledge of what was imposed upon her and the risks she was running. She assumed that other Governments had done the same. The members of the Coordination Committee felt that by unanimously cooperating in any action that might be taken none of them would unduly suffer and the losses would be evened up among them. If, however, the remarks of the Argentine delegate were tantamount to refusal to cooperate, he was afraid he would find himself in a difficult position with his Government. If one by one the countries were going to discover difficulties so great that they could not face them, the Committee might as well dismiss and go home.

10. Mr. Ferguson's intervention cleared the air and elicited from the Argentine delegate a more satisfactory statement explaining that when he pronounced in favour of the proposal under consideration he did so *ad referendum* in the sense that the Argentine Government would have to adjust the procedure of putting it into effect to the constitution of the Argentine, by which no decision could be taken until the Government had received powers from the Legislature. This was not considered clarifying. The remainder of his speech consisted largely in a description of the system of government of the Argentine Republic, but it was taken to imply that action taken by the Argentine Government, while the Parliament was not sitting, would have to be ratified by Parliament, and not that the action would have to await the summoning of the Parliament as had at first been understood.

11. The delegates of the United Kingdom, the Dominions, the Scandinavian countries, Portugal, Spain, Mexico and Rumania continued to press for effective application of sanctions as promptly as possible. The Argentine delegation remained silent for a time but the Swiss kept playing for time by raising numerous objections and involving the Committee in long and technical discussions. Other delegations said very little.

12. The French delegation changed their attitude twice in the week. At the opening meeting they pressed for immediate action, later they opposed the British proposal for an embargo on imports of Italian origin and gave in with rather bad grace to the view taken by the Committee that both import and export embargoes should be applied. On Wednesday and Thursday when Laval was again talking conciliation to the Italian and the British were awaiting a reply to their question whether they would have French support

if they were attacked in the Mediterranean, the French delegation showed a desire to delay the work of the Committee by suggesting the organisation of a drafting committee and the postponement of the discussion. By Friday they were again pressing for a rapid completion of the work of the Committee. At times feeling ran high in the French and Swiss delegations, but they were at a disadvantage as their arguments were frequently contradictory. They, and particularly the Swiss, constantly avowed their adherence to the principles of collective security and logic was with the Committee in the demand for an effective application of those principles.

13. One question which developed in the Committee of Eighteen and in the Economic Sub-Committee appeared to me of great importance for the Canadian Government as it related to the application of the embargo on key products proposed by the French delegation. The first draft of this proposal called for an embargo on a number of raw materials. The French were pressing for an early application of this embargo at the same time as they were opposing the embargo on Italian exports. I felt that the French proposal would not be well received by the Canadian Government as it seemed to me that it could in no way be described as comprehensive, and would place almost the whole burden of economic sanctions upon the raw material producing countries. Moreover, it seemed to me that an embargo on raw materials only would be ineffective as well as unfair. Canada and other producing countries would be asked to control the export of their raw materials when other countries could freely export those same materials to Italy in manufactured or semi-manufactured form. I discussed this subject with the British and French on Monday and on Tuesday morning made a brief statement in the Committee of Eighteen arguing that any scheme of economic sanctions should be comprehensive, that is, that both import and export embargoes should be envisaged and that an export embargo on raw materials should apply also to manufactures and derivatives. The draft of the proposal for the prohibition of imports of Italian origin was not prepared in the Sub-Committee but a special drafting Committee of Five was nominated. I learnt from the British member of this drafting Committee, Mr. Wills, that the Committee had considered the insertion of a general clause after the list of raw materials along the lines of one drawn up by ourselves in consultation with Mr. Wills and Mr. Hawtrey, to the effect that:

> This list shall be held to include:
>
> (*a*) All forms of these materials whether ores, scrap, alloys, products or derivatives from which any of these materials may readily be extracted or derived.
>
> (*b*) Such products or derivatives of these materials as represent a stage in the manufacture of war materials or implements of war or any forbidden article or product.
>
> (*c*) Such products or derivatives of these materials as may be utilized in the manufacture of war materials, implements of war or any forbidden article or material.

14. The drafting Committee argued for two or three hours over this general provision and it was found quite impossible to reconcile the points of view. The French, represented by M. Coulondre who had been responsible for introducing this proposal, were not at all sympathetic to the view that a relatively long list of key products should be adopted, but wished to limit it to a very small number of materials completely controlled by the Member countries. M. Coulondre, who in the Committee had supported the view that the embargo on nickel should be extended to products and derivatives, was not prepared to apply this to the whole list. The Spanish delegation were against the inclusion of iron ore if iron and steel were omitted and accepted our general provision. The question of methods of control was also a cause of disagreement. I should have preferred to have each country responsible for the supply of forbidden materials within its own boundaries and for the disposition of its own imports.

15. The proposal was finally presented by the drafting Committee in the form in which you received it. In the Committee of Eighteen, the Spanish delegate, M. de Madariaga, again made the point that it was useless as well as unfair to Spain to place iron ores on the list while iron and steel were not subject to the embargo. I felt at the time and still feel that the proposal is very unsatisfactory to Canada but lacking specific instructions I did not feel free to press my point in the Coordination Committee. The matter can possibly be brought up again at the meeting of the Committee on October 31st and if it is found that the burden of responsibility placed upon the producing countries is inequitable or unworkable, we may then be able to present a statement from the Canadian Government. It may also be possible to reopen the question of control of products and derivatives before the Economic Committee which remains in session. Whenever possible I shall be glad to have your advice and the instructions of the Government if there should be any representations it is desired I should make.

Yours sincerely,

W. A. RIDDELL

434.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 181 Geneva, October 28, 1935

MOST IMMEDIATE. If it is impossible to reply in full today, Monday, to proposals of Coordinating Committee, consider it most desirable that an interim reply should be made at least on Proposals No. 1 and No. 2 which

are already generally in effect. Canada only important country and only member of Commonwealth from which no reply has yet been received. I appreciate that new Government is working under pressure but feel that these proposals should be given immediate consideration and that as full reply as possible should be made by Wednesday.

435.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 74 Ottawa, October 29, 1935

IMMEDIATE. You should prepare four separate communications to the appropriate League authorities on the following lines but do not transmit them until you receive confirming telegram:

(1) With reference to proposal No. 1 of the Committee of Coordination the Canadian Government is taking immediate steps to prohibit the exportation of arms, munitions and implements of war to Italy.

(2) With reference to Proposal No. 2 of the Committee of Coordination the Canadian Government is taking immediate steps to ensure, in accordance with the terms of the proposal, prevention of the issue in Canada of loans or credits to Italy.

(3) With reference to proposal No. 3 of the Committee of Coordination the Canadian Government will be prepared to join in the prohibition of imports from Italy. Measures are under consideration for effective restriction of imports and if further legislation is found necessary to make embargo complete, proposals will be submitted to Parliament.

(4) With reference to proposal No. 4 of the Committee of Coordination the Canadian Government will be prepared to join in prohibiting the export to Italy of the commodities listed in the proposal. Prohibition could be put into effect at agreed date early in November.

436.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 75 Ottawa, October 29, 1935

MOST IMMEDIATE. My telegram No. 74 this date. You are authorized to transmit the four communications to the League authorities immediately.

437.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM Ottawa, October 29, 1935

IMMEDIATE. Government gave to press here tonight copy of replies on proposals one to four, and also statement, which after (1) summarizing proposals of Coordinating Committee, (2) affirming continued adherence to League aims and ideals, (3) reviewing Canadian opposition throughout to commitments in advance to apply sanctions, continued as follows. Begins. In the present instance, when an earnest effort is being made with wide support to test the feasibility of preventing or at least terminating war by the use of economic sanctions, and when there is no room for doubt as to where the responsibility rests for the outbreak of war, and having regard also to the position taken by Canada at the recent Assembly, the Canadian Government is prepared to co-operate fully in the endeavour. The League authorities are being informed that the Canadian Government will take the necessary steps to secure the effective application of the economic sanctions against Italy proposed by the Coordination Committee. The Canadian Government at the same time desires to make it clear that it does not recognize any commitment binding Canada to adopt military sanctions, and that no such commitment could be made without the prior approval of the Canadian Parliament. It is also to be understood that the Government's course in approving economic sanctions in this instance is not to be regarded as necessarily establishing a precedent for future action. [Ends.]

Copy of full statement being mailed.

438.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

Ottawa, November 1, 1935

My dear Dr. Riddell,

I have received your letter of the 22nd October, giving your view of the activities of the Coordination Committee, which I have read with much interest.

Your letter, however, throws no light on the question why the Canadian Delegation failed to conform with the instructions in our telegram of the

10th October. Approval of accepting membership on the Committee was given on the understanding conveyed in Geneva telegram No. 156 of the same date that the Committee was to be composed of representatives of all members of the Assembly. This did not warrant accepting membership on the Coordination Committee without further consultation. Of more importance, however, is the fact that in spite of instructions that no definite attitude should be taken until a further communication was sent, the Canadian Delegation actually took the initiative in making the first proposal for the application of sanctions.

Yours sincerely,

O. D. SKELTON

439.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 185 Geneva, November 2, 1935

See paragraph 13 my letter October 22nd. Should I maintain attitude in discussion this afternoon. Code message follows. Reply immediately.

440.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 186 Geneva, November 2, 1935

MOST IMMEDIATE. Re Committee of Eighteen, Spain this morning again raised question of addition of iron and steel to list of prohibited materials as iron ore already included. Reference made to supplementary list including petroleum and copper, etc., and to question previously raised of derivatives and products of prohibited materials. Full report contained in my letter of October 22nd, paragraph 13, and my telegram No. 171, October 18th, and my telegram No. 174, October 19th.

Reply urgently requested immediately as discussion continued this afternoon and I shall be expected to express our attitude. General support now likely for adoption of further list to take effect at a later date.

November 18th probable date of application of present list Proposal No. 4.

441.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 76 Ottawa, November 2, 1935

MOST IMMEDIATE. Your telegrams No. 185 and 186 received. Considerations of equity call for inclusion of finished products as well as raw materials but in view of fact that restriction of key exports is now balanced by restriction of imports as well as administrative difficulties involved in trade with United States through extension of list, you should not raise question further. As to inclusion petroleum and copper not desirable to make statement but you may support majority view.

Regarding press despatches reporting your taking prominent part in committee discussions yesterday, no position should be taken on any question of importance in committee without definite instructions.

442.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 189 Geneva, November 2, 1935

After consultation with main delegation this morning moved in Committee of Eighteen that petroleum, coal, iron and steel be added to list in Proposal No. 4. Proposal referred for consideration to Economic Sub-Committee.

443.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 77 Ottawa, November 4, 1935

Your telegram No. 189, 2nd November. I have noted with much surprise from your brief statement in the above telegram and more lengthy press despatches that without authorization you took the initiative in moving certain additional articles be added to list in Proposal No. 4. You must of course realize that you are acting for the Government of Canada and not for any other government, delegation or committee. When you desire instructions on

any proposal you should communicate sufficiently in advance to give time for consideration here. Every effort will be made to give prompt instructions but in any case you should not take action on any question of importance such as those recently considered without definite and positive instructions.

444.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 192 Geneva, November 4, 1935

Your telegram No. 76 [Nov. 2], final paragraph. I am not aware of nature of press despatches referred to. The only statement made by me on November 1st was in private meeting of Economic Sub-Committee not open to the press, which I reported in my telegram No. 184. Feel, therefore, that if exception is taken to any statements of mine on basis of press despatches I should first be informed of such reports and asked to confirm them.

The occasion of my remarks was that certain delegations asked Committee to approve of their declared intention to evade Proposal No. 3, which I did not consider I could do as Canadian Government had already accepted it without reservations.

445.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 197 Geneva, November 5, 1935

Your telegram of the 4th November, No. 77. I might explain that on Saturday morning, November 2nd, when I arrived at meeting of Committee of Eighteen I learned that certain delegations had in mind making proposal to extend Proposal No. 4 by adding all key products on list No. 2. The French had a list which they were prepared to present which included copper. Thinking this discussion might go over to afternoon meeting, I at once drafted my telegrams No. 185 and No. 186. The Spanish delegate's remarks on the injustice of an embargo on iron ore when iron and steel were not included brought question at once before Committee. It was only then that I realized that debate on this subject would finish that morning.

As I had then no instructions regarding attitude of Government and desired to forestall extension of list to include products of special importance to Canada, I proposed that products mentioned in my telegram No. 189

be added to list in principle, their embargo to come into force only when it could be made effective.

In my letter of October 22nd I gave a full account of work and discussions of Committee of Co-ordination and Sub-Committee indicating position taken by your delegation and asking for advice and instructions. Since resumption of discussion on October 31st my only guide to attitude and policy of the Government has been the statement given to the press and summarized in your unnumbered telegram of October 29th.

You will realize the difficulty of my position; with meagre instructions and no basic statement of policy to cooperate fully to secure effective application of economic sanctions while safeguarding Canada's interests. I regret exceedingly if I have caused the Government any embarrassment.

446.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 200 Geneva, November 6, 1935

MOST IMMEDIATE. My telegram No. 195, November 4th, third paragraph. Re Proposal No. 4. In Sub-Committee on transit questions this morning, French and other delegations pressed Resolution calling for quotas on the export of prohibited materials to non-participating States on basis of exports in recent years. British prefer strict surveillance of exporters and export trade. Possible compromise that States will watch the working of Proposal No. 4 and hold meeting early in December to consider action to be recommended in the light of statistics and information then available.

French may succeed in reporting their Resolution into Economic Sub-Committee at 3:30 this afternoon.

447.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 78 Ottawa, November 6, 1935

MOST IMMEDIATE. Your telegram No. 200 arrived just at time you mentioned Economic Sub-Committee was meeting in Geneva. We are definitely opposed to establishment of quotas on the export of prohibited materials to non-participating States and consider this quite unnecessary to ensure prevention indirect shipment to Italy.

448.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 79 Ottawa, November 7, 1935

Your telegram No. 197 of 5th November. I have noted your explanation but must insist that position which you took was not in my judgment in conformity with important factors in Canadian situation and not within the scope of your authority. As I have already indicated no position on any question of importance should be taken without positive and definite instructions.

449.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 203 Geneva, November 7, 1935

IMMEDIATE. My telegram 4th November, No. 194. Delegations are requested by circular letter to inform Chairman of Coordinating Committee whether they desire to be represented on Sub-Committee of Mutual Support when questions regarding application of Proposal No. 5 come up for discussion. As question of mutual support is at all events to come up in Committee of Eighteen of which Canada is a member, would appreciate having Government's views on matter.

450.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 80 Ottawa, November 16, 1935

Your telegram No. 203 November 7th. Careful consideration is being given to Resolution No. 5 mutual support and it is hoped that definitive instructions on the subject can be cabled to you early next week. Please cable if sufficient replies have been received from other members of Commonwealth and members of League to make Canadian reply urgent.

Would appreciate also your view as to whether acceptance of membership on Sub-Committee of Mutual Support would place Canada in more effective position to prevent proposals likely to prove embarrassing to us by reason of our special geographical position next to United States from being adopted.

451.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 81 Ottawa, November 16, 1935

Your telegram No. 204 of the 14th November, 1935, and other correspondence concerning sanctions. Action was taken yesterday and today by the Governor-in-Council and by Ministers of National Revenue and Finance to bring into force as and from Monday the 18th November, proposals Nos. 2, 3 and 4. The provisions of the Order-in-Council are similar to United Kingdom Order. Order also applies procedural provisions to prohibition of export of arms and munitions under the earlier Order in Council of the 31st October.

452.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 206 Geneva, November 19, 1935

Your telegram 16th November, No. 80. Reports from 48 countries including all members of the Commonwealth except Canada have been received to Proposal No. 5. Under the circumstances consider Canadian reply advisable but not urgent.

It is now considered question concerning mutual support likely to be dealt with first through bilateral negotiations. Membership on Committee would be advisable if questions affecting our interests come before it. As, however, membership can be obtained any time on request, Government could postpone asking for membership until it seemed in our interest to do so.

453.

Le sous-secrétaire d'État aux Affaires extérieures
au sous-secrétaire d'État par intérim aux Affaires extérieures

Under-Secretary of State for External Affairs
to Acting Under-Secretary of State for External Affairs

Sea Island, Ga., November 26, 1935

My dear Beaudry,

In view of Associated Press reports forecasting a meeting of the League Sanctions Committee of Eighteen, this week, to discuss the *"Canadian"* proposal of an extension of the embargo on exports to Italy to include oil, coal, iron and steel, I sent you, under instructions from the Prime Minister, the following telegram in code, on November 23:

> Press reports indicate meeting League Sanctions Committee Monday or Wednesday to discuss Canadian proposal to extend embargo on exports. Please instruct Riddell not to take any initiative in making or advocating proposal though he may vote for proposal if meets with approval other members generally.

Mr. King considered omitting the last clause—"though he may vote for proposal if it meets with approval other members generally", but left it in because of the reported imminence of the discussion at Geneva. Now that press reports indicate a postponement of the discussion, it would be well to modify any instructions you have sent, so as to make it clear to Riddell that he is not to vote or take any position on the question before reporting precisely what the proposal is and receiving definite instructions thereon. It is evident the question is going to be full of dynamite, and in view of Riddell's previous unfortunate actions, he must not be allowed to act at his own discretion or pull any more of Mr. Anthony Eden's chestnuts out of the fire.

Yours sincerely,

O. D. SKELTON

454.

Le sous-secrétaire d'État aux Affaires extérieures
au sous-secrétaire d'État par intérim aux Affaires extérieures

Under-Secretary of State for External Affairs
to Acting Under-Secretary of State for External Affairs

TELEGRAM Sea Island, November 27, 1935

London despatch reports meeting cabinet defence committee attended by Dominion representatives also indicates British government continuing support "Canada's oil embargo proposal". Assume designation of meeting incorrect and High Commissioner not attending Imperial Defence Committee meetings. If asked to confer with Foreign or Dominion Secretary assume

High Commissioner communicated in advance with you, and that he has been informed Riddell action unauthorized and that Canadian government does not propose to take further initiative. Regarding my telegram of November 23, now that sanctions meeting no longer immediate your instructions to Riddell should be amended making clear that he must not vote or take position with regard to this or other important question before reporting the proposals precisely and receiving instructions.

SKELTON

455.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 87 Ottawa, November 27, 1935

Your telegram No. 203 of November 7th. The Canadian Government has given careful consideration to the proposal respecting mutual support set forth in Resolution No. 5 of the Co-ordinating Committee. The suggestions made by the Committee appear to be more particularly suitable for application by countries having quota restrictions, clearing-house arrangements and economic systems different from that of Canada. It is understood also that acceptance of the proposal of the Committee, insofar as it is applicable under Canadian laws, would not involve the necessity of placing a ban on trade with non-participating countries. Subject to these observations, however, the Canadian Government is prepared to give general support to the principle incorporated in the Committee's proposal.

You are authorized (1) to place the above views before the League and (2) to accept membership on Sub-Committee of mutual support if you consider that membership would place Canada in more effective position to prevent proposals likely to prove embarrassing to us by reason of our special geographical position next the United States, from being adopted. In any event, endeavour to give as much advance notice as possible of any question likely to come up for discussion before the Sub-Committee.

456.

Le sous-secrétaire d'État par intérim aux Affaires extérieures
au sous-secrétaire d'État aux Affaires extérieures
Acting Under-Secretary of State for External Affairs
to Under-Secretary of State for External Affairs

TELEGRAM Ottawa, November 28, 1935

Your telegram yesterday Sanctions Meeting. Amended instructions have been sent Riddell as indicated by you. Massey cables today he has not

attended any meetings of Imperial Defence Committee nor has he been approached by British Ministers mentioned. He is not aware of unauthorized action by Riddell. Do you advise informing him fully? Mr. Lapointe is disturbed by headlines in Press emphasizing initiative taken by Canada and is wondering whether some course of action could be adopted to counteract this effect!

BEAUDRY

457.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 212 Geneva, November 28, 1935

Your telegram of the 27th November, No. 87. (a) May I write to the Secretary General that subject to observations in your telegram, the Canadian Government *accept in principle* Proposal No. 5. (b) If by words "Canadian laws" you do not mean Canadian system as described in your telegram, but some particular legal inhibition, please say what. (c) Would appreciate statement as to what you consider might prove embarrassing to Canada by reason of her geographical position.

458.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 90 Ottawa, November 29, 1935

Your telegram No. 212, November 28th. Do not understand why you should consider it desirable to modify instructions in my telegram No. 87 of November 27th, particularly as no reason is given. Unless there is some valid reason why terms of my telegram should be altered no question of modifying them for transmission to the Secretary-General should arise.

My telegram was drafted in general terms because of the vagueness of the proposal itself and of the fact that it would be difficult under Canadian laws (which do not contain provision for quotas and the like) to switch trade arbitrarily from one country to another.

Proposals to (1) bar particular commodities from non-participating countries, e.g., the United States, in order to increase market for similar commodities from participating countries, e.g., Spain; (2) prohibit transit trade; (3) remove non-participating countries from most-favoured-nation treatment; (4) control exports to non-participating countries, etc., would be types of proposals which might be embarrassing.

459.

Le sous-secrétaire d'État aux Affaires extérieures au secrétaire d'État par intérim aux Affaires extérieures

Under-Secretary of State for External Affairs to Acting Secretary of State for External Affairs

TELEGRAM Sea Island Beach, November 29, 1935

Your telegram 28th November, Sanctions meeting. Massey should be informed Riddell initiative in proposing embargo extension was taken without knowledge or authorization of Government, and that he was immediately warned to take no further steps without definite instructions. Prime Minister agrees with Mr. Lapointe as to serious effect of press emphasis on alleged Canadian initiative, although any counter action at this time also involves difficulties. He thinks, first, Massey should be instructed to convey above information to the British Government in view of misleading references and emphasis in press upon Canadian initiative, and second, Mr. Lapointe should arrange to be interviewed,

(*a*) Stating that Canadian Government position regarding sanctions as set out in press statement of October 29th(?) has not been changed;

(*b*) In response to further enquiries as to reported Canadian initiative in embargo extension, he should state that Canadian Government has taken no initiative in subject and that opinion expressed by Canadian member of Committee of Eighteen represented only his opinion as member of Committee;

(*c*) Canada would continue with other members of the League of Nations to consider changes in situation as they arose.

SKELTON

460.

Le secrétaire d'État par intérim aux Affaires extérieures au sous-secrétaire d'État aux Affaires extérieures

Acting Secretary of State for External Affairs to Under-Secretary of State for External Affairs

TELEGRAM Ottawa, November 29, 1935

Your telegram today. Sanctions meetings. Massey is being instructed accordingly. Interview by the press will also be arranged. Would Prime Minister consider sending Dandurand to next meeting of League Committee with special instructions to survey situation and prevent further commitment. He is in Paris.

461.

Le sous-secrétaire d'État aux Affaires extérieures au secrétaire d'État par intérim aux Affaires extérieures

Under-Secretary of State for External Affairs to Acting Secretary of State for External Affairs

TELEGRAM Sea Island, November 29, 1935

MOST IMMEDIATE. Your telegram Nov. 29. Prime Minister thinks would be most unwise to send person named. Regarding my telegram Nov. 29, after last words, add "including any proposals for extension[1] of economic sanctions".

SKELTON

462.

Mémorandum du sous-secrétaire d'État par intérim aux Affaires extérieures au Premier ministre par intérim

Memorandum from Acting Under-Secretary of State for External Affairs to Acting Prime Minister

Ottawa, November 29, 1935

SECRET

Unless I am greatly mistaken, the newspaper reports on the attitude of Italy towards the oil embargo reveal the present situation to be very grave. It would appear that war between Italy and Great Britain may be imminent if the oil embargo is to be applied. It would appear at the same time that the attitude of Great Britain towards the application of the embargo remains firm.

In view of the fact that Canada, through the unauthorized action of Dr. Riddell, has initiated the proposal for the oil embargo, the responsibility thus assumed by Canada is very great, *and the consequences for Canada herself may be still greater under the circumstances.*

It seems that the most careful consideration should at once be given to the position officially taken by our representative, since if that position is maintained at the next meeting of the League Committee in a few days and war were declared, Canada might become directly involved in the armed conflict in spite of our previous reservation on the question of military sanctions. Canada having initiated the proposal and being supported by Great Britain, would probably become directly entangled in the conflict.

L. B.

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[1] Un télégramme subséquent substitua le mot «revision» à «extension».

[1] A subsequent telegram substituted the word "revision" for "extension".

463.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 91 Ottawa, December 1, 1935

IMMEDIATE. In view of continual press reference to Proposal 4(a) respecting extension of export embargo to coal, oil, etc., as "Canadian Proposal", Government felt compelled to issue explanatory statement to Press this afternoon for Monday morning papers—to effect that its position regarding economic sanctions made clear by Prime Minister in his statement of October 29th has not been modified in any way; that view that Canada has taken initiative in proposing further extension of scope of sanctions was due to a misunderstanding; the Government, while prepared to cooperate with other members of League in considering any proposal for the revision of economic sanctions, has not and does not propose to take initiative in any such action; "and the opinion which was expressed by the Canadian Member of the Committee—and which has led to the reference to the proposal as a Canadian proposal—represented only his own personal opinion and his views as a member of the Committee, and not the views of the Canadian Government".

In view of terms of foregoing press statement you should not offer any comment upon it to enquiries in Geneva.

464.

Le sous-secrétaire d'État par intérim aux Affaires extérieures
au Conseiller
Acting Under-Secretary of State for External Affairs
to Advisory Officer

TELEGRAM Ottawa, December 1, 1935

IMMEDIATE. CONFIDENTIAL. PERSONAL. Our telegram No. 91 of today's date from Acting Secretary of State for External Affairs regarding press statement. Decision to make public statement was taken reluctantly and after consultation with the Prime Minister, under pressure of incessant press comment on danger of war attributed to "Canadian proposal" for extension of economic sanctions. In view of Government's insistence on sharp distinction to be drawn between Canadian attitude toward economic and toward military sanctions, it was not possible in present grave situation to accept responsibility for initiating a policy whose outcome was regarded with anxiety in many quarters in Canada—but which is nevertheless being considered most carefully by the Government as a member of the League.

In circumstances issue of explanatory statement distinguishing between your views as a member of Coordinating Committee and position of Government was thought to be necessary and its prompt release desirable. We had most earnestly hoped on personal grounds that this course could have been avoided and we know you will realize that publication of this statement under the circumstances had become necessary.

BEAUDRY

465.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 216 Geneva, December 1, 1935

Your telegram December 1 No. 91. Fully appreciate necessity of government's action. From the beginning Chairman and Members of Committee and Secretariat have clearly understood I was acting only as a member of Committee in order to secure a satisfactory compromise.

466.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 217 Geneva, December 4, 1935

My telegram 7th November No. 203. Enquiries made on November 28th during my absence from office were not intended to change instructions but merely to clear up certain doubts which staff had. Communication has been made to Secretary-General as authorized in above telegram.

467.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 222 Geneva, December 5, 1935

IMMEDIATE. European press is interpreting Canadian release of December 2nd as meaning that Canada will oppose Proposal No. IV(a) and Italian papers are stressing that Canadian attitude reveals a breach in united front

of member States and will prevent meeting of Co-ordinating Committee on December 12th.

The Secretary of Co-ordinating Committee has today informed me that both he and the President are much concerned about this Italian propaganda, and asked if some statement might not be made from Ottawa.

Further informed me that great oil producing countries, Iraq, Roumania, U.S.S.R., Mexico (the latter confidentially) and also Argentine, Czecho-Slovakia, Finland and India had informed the President of their acceptance of Proposal No. IV(a).

Press reports that I put forward Proposal No. IV(a) at British suggestion untrue.

468.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM Ottawa, December 6, 1935

IMMEDIATE. Your telegram No. 222 of December 5th. Not considered necessary to issue any further statement contradicting misinterpretations to which you refer, since statement of December 2nd quite explicit. See summary in our telegram of 1st December. In regular press conference this afternoon, however, in response to enquiry as to reports appearing in European press that statement implied intention on the part of Canada to oppose extension of economic sanctions, Prime Minister replied statement had reference only to the origin of proposal and not to its merits.

469.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

TELEGRAM Ottawa, December 6, 1935

PRIORITY. PERSONAL. On returning to Ottawa yesterday I learned you were leaving very shortly for Chile.[1] In view of discussion regarding initiation of Proposal No. IV(a) I think it desirable you should before sailing send personal letter giving full statement as to the circumstances under which the proposal was made.

SKELTON

[1] Voir les documents 504 et 505. [1] See Documents 504 and 505.

470.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

Geneva, December 7, 1935

Dear Dr. Skelton,

I was much surprised, on receiving your letter of 1st November acknowledging my report of 22nd October on the work of the Co-ordination Committee, to learn your interpretation of the action of the Canadian Delegation.

2. The Canadian Delegation did not take the initiative in proposing the arms embargo. This was done by Mr. Eden (League document Committee 18.P.V.1, pages 5-7). The head of the Canadian Delegation spoke when a protracted and irrelevant discussion was delaying the work of the Committee, which was supposed to report to a plenary meeting in the afternoon. He called attention to the purpose for which the meeting had been called and in saying that action, rather than debate, was the duty of the Committee, he was naturally led to refer to the measures which had already been taken by the Government of the United States, and to ask if similar action could not be considered by the Committee. Beyond this he did not go.

3. Membership on the Co-ordination Committee was accepted by the Delegation only after reference to Ottawa and in accordance with the instructions received. Your telegram of the 10th October (unnumbered) stated: "As the Committee is to consist of all the members of the Assembly no objection to accepting membership with the arrangement you suggest." The condition stipulated was fulfilled: the Committee consisted of all members of the Assembly. The representation suggested was Mr. Ferguson, delegate, and myself, substitute. Your telegram of the 10th October was interpreted as confirming this arrangement, and as empowering Mr. Ferguson and myself to occupy at once the places reserved for Canada, without waiting for further instructions, which, we were advised, could not be expected for several days. The conclusion that we should take our seats without delay was further to be inferred from the concluding sentence of the telegram in question.

4. The first sitting of the Co-ordination Committee took place on the morning of the 11th October, within two hours of the receipt of these instructions. Immediately after this meeting you were informed by cable No. 158 of the constitution and terms of reference of the Committee of Sixteen (now the Committee of Eighteen) and that the Canadian Delegation had been invited to be represented. You were further advised that the Committee of Sixteen would meet in the afternoon to propose the adoption

of certain measures of embargo to the plenary Committee convened for the same evening.

5. The Delegation considered that in view of the circumstances it should provisionally accept membership on the Committee of Sixteen. Later on, membership was accepted on the Economic Sub-Committee, it being the view of the Delegation that acceptance of membership on the Committee committed it to acceptance of membership on a sub-committee, as each member of the main committee was nominated by the Chairman to at least one sub-committee. Your Delegation felt that its action had been confirmed by your telegram of the 9th October: "Prime Minister's view regarding membership of sanctions committee is that we should not seek place but in certain contingencies should not refuse if requested to serve." The Delegation did not seek a place; it was requested to serve without previous soundings or advance notice.

6. That the Delegation did not act with undue haste in accepting memberships is evident from the fact that only on the 12th October, two days after my telegram of the 10th asking for general instructions, in response to a request from the Chairman of the Co-ordination Committee, the Delegation informed him in writing that the Government of Canada would be represented by Mr. Ferguson, delegate and myself, substitute, on both the Co-ordination Committee and the Committee of Eighteen.

7. The Delegation, despite long hours of attendance at meetings, was particularly attentive to keep you fully informed. Instructions, both general and specific, were expressly requested. Thus, on the 10th October (Telegram No. 156) the Delegation cabled: "Please wire instructions at once." As the reply was to the effect that "As practically all the Ministers are out of town it will be impossible to send instructions until the beginning of the week" the Delegation on October 14th renewed its request, pressing for "full instructions on Economic Sanctions". This time again the reply came that no instructions could be hoped for for some time "in view of the results of the General Election of yesterday and of the fact that the new Government cannot take over for some days." You were also informed, on the 9th of October, of the daily service of radio-telegrams from the Secretary General to all Governments, and the delegation was pleased to learn that the reception in Canada was quite satisfactory.

8. In view of the foregoing, I hope you will understand why I express surprise at the interpretation placed on the action of the Canadian Delegation with regard to the first proposal of the Co-ordination Committee, and acceptance of membership on that Committee.

Yours sincerely,

W. A. RIDDELL

471.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

PERSONAL Geneva, December 7, 1935

My dear Dr. Skelton,

I appreciate very much your personal telegram asking for a statement regarding Proposal 4(*a*). As I did not get the telegram until nearly noon and I must leave tonight in order to catch my ship, I regret that it will have to be hurriedly prepared. Last night I mailed a long report to you on the work of the Committee, and as I have given certain explanations in it, it will be necessary for me to cover some of the same ground in this letter.

I realised, of course, that it was impossible for the Government to provide any explicit instructions to the Delegation in the first and second weeks of October because of the election of the 14th of that month. At the same time it was necessary for the Delegation to have some guiding principles if it was to perform its function of co-operation with other Delegations and of safeguarding the Canadian position for the future.

The members of the Delegation discussed their position very fully and came to the conclusion that while they should not take any leading part in the debate they should, if Canadian interests appeared to be affected, take the stand that if sanctions were to be imposed they should be comprehensive in order to be effective, and that the burden of sanctions should be spread as widely and equitably as possible among the participating countries. With these principles in mind they considered that an embargo on imports from Italy should parallel any embargo on exports of goods to Italy, and that an embargo on raw materials should apply also to the products and derivatives of such materials. The argument for the inclusion of derivatives and products was first put forward by Coulondre in the case of nickel. He pointed out that an embargo on nickel would be virtually ineffective if Italy could import at will the manufactures of nickel or nickel alloy. The Canadian Delegation felt that it would also be inequitable. With regard to the control of the trade in prohibited materials in order to prevent their being shipped to Italy, the Delegation were of the opinion that the Canadian Government, in view of its relations with the United States, would desire that each country should be responsible for the sources and supplies of those materials within its own borders, and that it should not be called upon to take the responsibility for those supplies once they had passed out of its territory.

The Delegation informed the Department of External Affairs of the position they felt forced to take by the above circumstances in their telegrams No. 170 and No. 171 of 17th and 18th October, and subsequently in my report of 22nd October. No comments were received from Ottawa on these telegrams, although later in your telegram No. 76 of 2nd November and No. 90 of 29th November this point of view was confirmed.

When the Committee of Eighteen met again on 31st October no comments had been received from Ottawa on the stand taken by the Delegation in the earlier debates on Proposal 4. It was not the desire of the Delegation to press their arguments. They found themselves, however, in a difficult position because some of the other Delegations, who in the meantime had swung round to the viewpoint expressed by the Canadian Delegation in October, looked to that Delegation again to put before the Committee their arguments, particularly in favour of the inclusion of derivatives and products of prohibited materials.

On arriving at the Committee of Eighteen on Saturday morning, I learned that a number of delegations had it in mind to put before the Committee proposals for the extension of Proposal IV. The French delegate, M. Coulondre, had come prepared with a mimeographed proposal for the addition to the list of prohibited materials of certain of the products on the Supplementary List, including oil, iron and steel, coal and copper, and the Netherlands delegation was prepared to propose the inclusion of the whole list. The Chilean delegation were much disturbed about the proposed inclusion of copper, and M. Porto Seguro came over to discuss the question with me. He said his Government were very anxious that copper should not be included, as they were already very seriously affected by Proposal III, and by the freezing of Chilean credits in Italy. He thought the Canadian Government would agree with the Chilean that copper should be excluded from the list.

A member of the Spanish delegation also approached us. He said his Government was much disturbed at the injustice of an embargo on iron ore, when iron and steel were not included in the embargo. The Spanish Government had been very much interested in the point of view put forward by the Canadian delegation on October 15th. They felt that a strong case could be made for the extension of the embargo to the products and derivatives of the prohibited materials, and, if I intended to repeat my suggestion that these should be added, they would be prepared to support me. If not, they would bring up the question themselves and assumed that they would have my support. Whatever happened, it was their intention to raise the question of an embargo on iron and steel, as the people of Spain felt that it was unfair to prevent them from exporting the ore when other nations could supply the metal.

As I had received no instructions either on the addition of the other materials to the list, or on the inclusion of products and derivatives, and did not know whether or not the Canadian Government would share the Chilean view on copper, I found myself in a quandary. In view of the procedure followed in the Committee, there was no doubt but that the French proposal would be adopted without vote, and consequently unanimously, unless something was done. I therefore sent off at once my cables 185 and 186, hoping to receive a reply in time for the afternoon meeting, at which it seemed probable the question would arise. In the meantime, I discussed the matter with the delegates interested, and when I learned that the question

of extension of Proposal IV was coming up at once and that de Madariaga intended to speak, I drafted my proposal that coal, petroleum and iron should be added to the list, and an embargo to be placed on them as soon as it should appear that it would be effective. This compromise was sufficient to satisfy the Spanish Delegation, as it gave them something to take back to their Government, and the Chilean because, by forestalling the French proposal, it prevented the inclusion of copper. It seemed a moment when an immediate decision had to be taken, if I were to limit the obligations of Canada. While it extended the list to three products, it was in no sense as comprehensive a measure as some members would have desired, and it prevented the adoption of a proposal which would have extended the list to products of great importance to Canada. I should have been interested to hear the opinions of the other delegations on the question of extending the list to products and derivatives of prohibited materials, as it appeared from random conversation that a number of the delegations were coming round to the point of view that this was desirable, but I did not feel that you would want me to press for it, as you had not replied to my reports. After drafting this proposal, and assuring myself that it met the Spanish and Chilean wishes, I showed the draft to Coulondre and Eden. I asked Eden if he saw any objection to my making this proposal and he said "No" and then, after a moment, "I wish you would". (This is the only conversation I had with Mr. Eden or any member of the United Kingdom delegation, before presenting this proposal). Coulondre, although willing to support the proposal felt that copper should be included.

Madariaga, as I have mentioned, got his speech in much earlier than I had anticipated. He could not see the logic and utility of placing an embargo on iron ore, when iron and steel could freely be exported to Italy. "If Italy was to be prevented from obtaining iron, she should also be prevented from obtaining the material required for its manufacture; but iron and steel should figure at the head of the embargo list. In saying this, he was not expressing an opinion either for or against the embargo, but was raising the question as a whole."

At the conclusion of this speech, it seemed necessary, if I were to secure a modified proposal, that I should intervene, and I am quoted in the Minutes as follows:

> ... that in Proposal 4, concerning the embargo on certain exports to Italy, they were entrusted with the task of making suitable proposals to Governments on this subject. He imagined they were all agreed that the list of key products was far from complete, inasmuch as such important products as petroleum and its derivatives, and coal, iron and steel were not on the list. The Committee had been successful in obtaining acceptances regarding the embargo as far as it went, and he thought all the States Members of the League were to be congratulated on that. He now ventured to propose that the substances he had named should be added to the list in principle, and that measures with regard to them should come into effect whenever the Committee find that an embargo can be made effective. He accordingly moved the following proposal (Doc. Co-ord. Cttee/83):

> In execution of the mission entrusted to it under the last paragraph of Proposal IV, the Committee of Eighteen submits to Governments the following proposal:
>
> It is expedient to adopt the principle of the extension of the measures of embargo provided for in the said proposal to the following products:
>
> Petroleum and derivatives
> Coal
> Iron, cast iron and steel.
>
> As soon as it appears that the acceptance of this principle is sufficiently general to ensure the efficacy of the measures thus contemplated, the Committee of Eighteen will propose to Governments a date for bringing them into operation.

No decision was taken in the Committee of Eighteen, it was merely referred to the Committee on Economic Sanctions.

All the discussion of this proposal, as far as I was concerned, took place in the Committee room during the meeting.

It may be worth remarking that the form in which this proposal was put forward was *ad referendum* to Governments and that, while all proposals were made in this form the others called for immediate acceptance while this provided that a date for its application should be set by the Co-ordination Committee only after consultation had shown that a sufficient concurrence was assured.

While my immediate reasons for making the proposal were to cut short the debate and to satisfy Chile and Spain while limiting the burden on the Canadian Government, other major considerations operated, which at the risk of repetition I should like to stress.

First I was strongly of the opinion, which I felt was that of the Canadian Government, that a comprehensive and diversified list of prohibited products under Proposal 3 was desirable—one chosen to spread the burden as fairly as possible among the States Members; including products of which Canada was not a producer. I felt that the list I submitted was in conformity with these requirements.

Secondly, it was my conviction that once the States Members had declared Italy the aggressor and admitted that Article XVI was applicable, the only way to prevent the transition from economic to military sanctions was to render the economic sanctions effective. This was, and still is, my conviction. To make the economic sanctions effective, within a reasonable time, I was convinced that the list I submitted was a necessity. Subsequent events have served only to strengthen these convictions.

Since then the French Government made it appear that it had been forced to accept more drastic action against Italy than it desired—this may have been good politics but the fact remains that the French delegation took the initiative at the very beginning in putting forward the embargo on the export of key products to Italy. It was the French delegation again which was

prepared to propose the extension of this embargo to products of which the States Members had not absolute control, including oil and coal.

Unfortunately it is the usual practice in Committee meetings and Assemblies for silence to be taken as consent. The Chairman puts the question in the phrase "If there is no objection I shall consider the proposal adopted". And so the only alternative left to those who wished to avoid making objections which would put them in a wrong light, and yet not bind their Governments by their silence, was to put forward alternative resolutions. It is this course I followed.

It is largely because of this method of procedure that it has been possible for the States Members to show a common front in applying sanctions, and at the same time to build up a system which is not only milder and better adapted to circumstances than that provided for in Article XVI, but also one which is being applied gradually.

Had there been the least opportunity of securing your advice in time I should not have acted as I did on my own responsibility. The Committee acted with such rapidity that, although I sent off two cables to you shortly after the beginning of the morning meeting forecasting the course of the discussion and asking urgently for immediate reply, the question of extending Proposal 4 came up within the next hour. I felt that I had no alternative to the course followed, to safeguard the interests of Canada.

Yours sincerely,

W. A. RIDDELL

472.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B. 168 London, December 10, 1935

IMMEDIATE. MOST SECRET. My telegram November 20th, Circular B. 156. Following for your Prime Minister. Begins. On December 8th, the Secretary of State for Foreign Affairs had a lengthy discussion with M. Laval in the course of which the latter repeated his undertaking that France would give military assistance in the event of a "mad dog" act by Italy. However, in view of the possibility of such an act and in the general interest of peace it was felt that everything possible must be done to try to find a basis for a peaceful solution to the Italo-Abyssinian dispute at once, and agreement was finally reached on proposals for a possible settlement which could be submitted jointly to Mussolini by His Majesty's Ambassador and the French Ambassador at Rome, with an invitation to say urgently whether he accepts basis in principle without prejudice to the result of discussion by Committee of Five of the Council of the League of Nations to whom proposal would then be submitted by the Governments of the United Kingdom and France.

Signor Mussolini would be informed, in return, that the Committee of Five could meet on the 12th December, that its meeting would be brought to the notice of the Committee of Eighteen and that collaboration in the work of Committee of Five would be invited from the Italian Government.

His Majesty's Government in the United Kingdom have instructed that identical proposals should be sent at the same time to the Abyssinian Government. The Government of France have raised certain difficulties in connection with this condition which are still under discussion. Until they are resolved the whole plan is tentative, both as regards the proposal and procedure.

Should the Chairman of Committee of Five consider it necessary that Committee should be given a fresh mandate by the Council of the League, necessary meeting will be held at once.

The terms of settlement are contained in my immediately preceding telegram Circular B. 167, Secret. We will keep you informed of all developments Ends.

473.

Le Conseiller par intérim au sous-secrétaire d'État aux Affaires extérieures
Acting Advisory Officer to Under-Secretary of State for External Affairs

TELEGRAM 225 Geneva, December 11, 1935

IMMEDIATE. Proposed terms of settlement with Italy involve considerable cession of Ethiopian territory arousing much concern here. It is reported that French at meeting tomorrow will urge adjournment of Committee of 18 during further negotiations and that small Powers will insist on pressing work of Committee and referring terms of settlement to Assembly.

Debate probable tomorrow, Thursday, if a move made not to adjourn. It is reported that South Africa will take determined stand with small Powers.

474.

Le secrétaire d'État aux Affaires extérieures au Conseiller par intérim
Secretary of State for External Affairs to Acting Advisory Officer

TELEGRAM 97 Ottawa, December 11, 1935

MOST IMMEDIATE. My telegram No. 96, December 10th. It is not desired that the Canadian delegate should take the initiative in the discussion of Proposal IV(a) in meeting of Committee of Eighteen. He should, however, inform the Committee that Canada is prepared to participate with other members of the League in the extension of the export embargo to cover the products enumerated in the Proposal.

2. If a proposal to add copper is made and receives similar support he is authorized to agree to its inclusion.

3. The Canadian delegate should not suggest any date for bringing the Proposal into force but may concur in any date that is generally accepted. If there should develop any division of opinion in the Committee respecting the date of application, please cable details.

475.

Le secrétaire d'État aux Affaires extérieures au Conseiller par intérim
Secretary of State for External Affairs to Acting Advisory Officer

TELEGRAM 98 Ottawa, December 11, 1935

MOST IMMEDIATE. Your telegram No. 225, December 10th. We have been informed by Secretary of State for Dominion Affairs of proposed terms of settlement and also of suggestion that Committee of Five should meet on 12th December and its meeting be brought to notice of Committee of Eighteen. For your information, terms proposed are difficult to reconcile with interpretation of Covenant on which application of sanctions was based and question of Canadian acceptance or acquiescence will require careful consideration.

2. So far as present action is concerned, however, if postponement of Committee of Eighteen is supported by British and French you should accept it. If discussion in Committee is general and any statement appears necessary you may say that without implying any opinion as to merits of any specific peace proposals, you concur in desirability of permitting opportunity for renewed efforts to bring conflict to an end.

3. Instructions in my preceding telegram No. 97 were based on assumption Committee would be meeting. General position taken in that telegram is maintained but in view of latest developments you should first advise of decision as to whether Committee will continue sitting and await further instructions.

476.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

PERSONAL Lisbon, December 11, 1935

Dear Dr. Skelton,

Before sailing I desire to thank you for your telegram wishing me success in my mission to South America. I am looking forward to it with great

anticipation. It will be another new experience in a continent which has always interested me very much.

What I shall say at the opening of the Conference is still on the lap of the gods as I was too busy before leaving Geneva to even get started on an address. I shall have to hope the sea is kind and await the inspiration of the voyage.

By this time you will have had my personal letter explaining my participation in proposal IV(a). The letter was prepared in too much of a rush to be entirely satisfactory.

It is evident from the criticism I received from the Department that I must have misunderstood the significance of the Government's acceptance of first four "proposals" and the Prime Minister's declaration to the Press.

Both the acceptance of these proposals and the declaration convinced me the new Government was then solidly behind economic sanctions and as solidly opposed to military sanctions. Rightly or wrongly I thought I should use my influence to strengthen the former in order to make the latter unnecessary.

Again thanking you and wishing you the season's greetings,

Yours sincerely,

W. A. RIDDELL

477.

Le Conseiller par intérim au secrétaire d'État aux Affaires extérieures
Acting Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 230 Geneva, December 14, 1935

MOST SECRET AND CONFIDENTIAL. Following from Pearson. Begins. Very reliable and most confidential information received that Eden, feeling that terms of Hoare-Laval proposals cannot be reconciled with the Covenant of the League of Nations and that a mistake has been made by his Government in accepting them, will urge Cabinet to give power at Council meeting Wednesday to extricate the United Kingdom from present situation in the following manner:

Taking full advantage of opposition likely to be offered to the proposals by certain of the smaller Powers on Council, he will propose that in view of this opposition and in default of any more satisfactory alternative plan, Council should regretfully recognise failure of Anglo-French intervention. Eden will then press for an immediate meeting of the Committee of Eighteen and go straight ahead with Proposal No. 4(a). Of course, all this on the assumption that Ethiopia refuses to accept present proposals and irrespective of Italy's reply.

In view of the fact that these ideas have not yet been submitted to the United Kingdom Cabinet, it will be appreciated that they should be treated as particularly confidential.

In view of your unnumbered telegram of the 13th December and of above developments, I am remaining in Geneva. Ends.

478.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B. 172 London, December 17, 1935

IMPORTANT. SECRET. My secret telegram of the 11th December, Circular B. 169. Following for your Prime Minister. Begins. The Secretary of State for Foreign Affairs has now returned to London and it is thought following summary of considerations and circumstances which produced the Anglo-French draft proposals as a basis for negotiations in Italo-Abyssinian dispute may be of use.

Committee of Eighteen had entrusted to the United Kingdom and France the task of endeavouring to promote a settlement.

Question of oil sanctions, already approved in principle, was to be discussed on December 12th. The United Kingdom and French experts in Paris, after prolonged discussion, had not reached an agreement on possible peace terms to be submitted to the three parties to the dispute.

Mussolini had through many channels and in varying forms intimated that oil sanctions would involve hostilities. On the 7th December, when the Secretary of State for Foreign Affairs and the Permanent Under-Secretary of State met Laval in Paris, he told them that he was convinced that Mussolini would regard oil sanctions as a hostile act and that the people of France were not yet as a whole prepared to face war with Italy on such grounds. (This information of course is very confidential).

It was apparent that in the event of an act of calculated (aggression?) by Mussolini against the United Kingdom, the help the latter could count on from France would, despite the many assurances given (which were not withdrawn), be for some time at least either lacking or negligent [*sic*] for both material and psychological causes. Similar causes proved that investigation was likely to rule out any practical military contribution from smaller Mediterranean Powers, at least for some time to come.

Laval said that the only condition on which he could eventually bring his public opinion to face war with Italy was that a reasonable offer should have been made to Mussolini and refused by him.

On Thursday there is to be a debate in the House of Commons in the course of which the Secretary of State for Foreign Affairs will make a full

statement. In addition, Eden will make a statement at the League of Nations Council tomorrow or Thursday. Message ends.

479.

Le Conseiller par intérim au secrétaire d'État aux Affaires extérieures
Acting Advisory Officer to Secretary of State for External Affairs

TELEGRAM 233 Geneva, December 18, 1935

MOST IMMEDIATE. CONFIDENTIAL. Following from Pearson. Understand that if and when Committee of Eighteen meets, United Kingdom may favour reference of 4(a) to Experts for study and report after Christmas holidays. If discussions on 4(a) by Eighteen deal with procedure only, am I still to carry out instructions contained in your telegram of the 11th December, No. 97? If new Experts Sub-Committee set up to discuss 4(a), should we accept membership if offered?

480.

Le secrétaire d'État aux Affaires extérieures au Conseiller par intérim
Secretary of State for External Affairs to Acting Advisory Officer

TELEGRAM Ottawa, December 18, 1935

MOST IMMEDIATE. CONFIDENTIAL. Your telegram No. 233, December 18th. In light of all information now available, first it does not appear desirable at this juncture to make statement set forth in our telegram No. 97 of the 11th December, and second, it is not desired to accept membership on Expert Sub-Committee. Advise whether our understanding correct that our membership would not be publicly proposed without private consultation in advance, also probable size of Expert Committee.

481.

Le Conseiller par intérim au secrétaire d'État aux Affaires extérieures
Acting Advisory Officer to Secretary of State for External Affairs

TELEGRAM 238 Geneva, December 19, 1935

At public meeting this afternoon Council adopted, without observation, a Resolution stating that in view of preliminary character of Laval-Hoare suggestions it did not consider it was called upon to express an opinion in regard to them, and requested Committee of Thirteen, bearing in mind the

provisions of the Covenant, to examine situation as a whole. In the circumstances Committee of Eighteen met immediately after Council of the League of Nations and in view of above Resolution decided to continue to follow up application of sanctions at present in force and then adjourned *sine die*. Committee not likely to meet again before second week in January. Pearson leaving tonight for London.

PARTIE 2/PART 2

ORGANISATION INTERNATIONALE DU TRAVAIL
INTERNATIONAL LABOUR ORGANIZATION

482.

Le sous-ministre du Travail au sous-secrétaire d'État aux Affaires extérieures
Deputy Minister of Labour to Under-Secretary of State for External Affairs

PERSONAL Ottawa, January 20, 1932

Dear Sir,

I beg to inform you that a Marconigram was received on the 18th instant from Dr. Riddell, the Canadian Advisory Officer at Geneva, addressed to the Honourable Senator Robertson in the terms following:

> I am authorized by the officers of the Governing Body to inform you that you will be nominated for Presidency of the International Labour Conference which meets in Geneva on the 12th April. I trust you are quite well again.

The import of this message was conveyed by radiogram to Senator Robertson on the SS. *Lady Somers,* and I have this morning received a reply from the Senator by radiogram as follows:

> Advise Riddell acceptance Presidency if Government approves.

Just prior to his leaving on the West Indies trip Senator Robertson advised me personally of the understanding which he has with the Rt. Hon. the Prime Minister as to his attending the forthcoming conference as Canada's chief delegate.

To enable me to reply to Dr. Riddell would you be so good as to ascertain from the Prime Minister if the Senator's acceptance of the Presidency would be agreeable to the Government.

Yours truly,

H. H. WARD

483.

Le sous-secrétaire d'État aux Affaires extérieures au sous-ministre du Travail
Under-Secretary of State for External Affairs to Deputy Minister of Labour

PERSONAL Ottawa, January 21, 1932

Dear Sir,

I have your letter of January 20th, regarding the nomination of Senator Robertson as President of the International Labour Conference which is to meet in Geneva on the 12th April.

I brought your letter to the attention of the Prime Minister, who stated that the Government wholly approved acceptance by Senator Robertson.

Yours sincerely,
O. D. SKELTON

484.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller
Under-Secretary of State for External Affairs to Advisory Officer

Ottawa, April 28, 1932

Dear Dr. Riddell,

I have your letter of the 16th April, concerning Senator Robertson's election as President of the International Labour Conference, and I am very pleased to learn the arrangements you had in hand have gone off so satisfactorily. It was hoped that the occasion of the Senator's election would have been marked by the ratification of one or more Labour Conventions by Canada. For your information, I may say that it was expected to submit the following Conventions to Parliament for its approval:

Unemployment, 1919;
Simplification of inspection of emigrants on board ship, 1926;
Marking of weight on heavy packages, 1929;
Forced or Compulsory Labour, 1930.

It was not an ambitious programme, for the Convention[s] in question could, with one exception, be ratified without legislation. Their provisions, in substance, were already incorporated in Canadian practice, and ratification in these circumstances would amount simply to certification that our law was in conformity with the requirements of the Conventions.

However, it now seems unlikely that any action along the lines contemplated will be taken at this session.

Yours sincerely,
O. D. SKELTON

485.

Le haut commissaire de Grande-Bretagne au sous-secrétaire d'État aux Affaires extérieures

British High Commissioner to Under-Secretary of State for External Affairs

Ottawa, June 8, 1932

Dear Dr. Skelton,

I have received a telegram from my Government saying that owing to the death of M. Albert Thomas the post of Director of the International Labour Office is vacant and that Sir H. B. Butler, the Deputy Director, is offering himself as a candidate at the meeting of the Governing Body of the International Labour Organisation which is to be held on June 30th.

The Government of the United Kingdom are anxious to secure the maximum of support for Sir H. B. Butler's candidature which they understand is supported by the workers' representatives in a large number of countries.

The Committee of Enquiry into the organisation of the League and the Labour Office which reported in 1930 agreed that every officer on the staff of these bodies should have the opportunity of reaching the highest positions, not excluding that of Secretary General, and the appointment of Sir H. Butler as Director of the International Labour Office would be in accordance with this principle.

My Government have asked me to bring the foregoing points to the notice of His Majesty's Government in Canada and to express the hope that they will accord their support to Sir H. B. Butler's candidature.

The Government of the United Kingdom would be grateful for an early indication of the views of the Canadian Government on this subject.

I understand that His Majesty's Representatives in all foreign countries represented on the Governing Body of the Organisation have been asked to approach the Governments to which they are accredited in a similar sense.

Yours sincerely,

W. H. CLARK

486.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissaire de Grande-Bretagne

Under-Secretary of State for Exernal Affairs to British High Commissioner

[Ottawa,] June 17, 1932

Dear Sir William,

I was interested to learn from your letter of the 8th June that the Government of the United Kingdom had decided to support the candidature of Mr. H. B. Butler for the post of Director of the International Labour Office.

Butler's share in the preparation of the Labour Part of the Treaty of Versailles, his useful work in the organization of the Washington Conference, his loyal and competent service as Deputy Director for the past dozen years, all entitle his candidature to sympathetic support. The fact that he is on excellent terms with Canadian employers and labour organizations, and is familiar with the peculiar constitutional difficulties which have prevented Canada from taking the active part in the work of the International Labour Office which might once have been expected, strengthens his claim to Canadian support for the post.

The political consequences of Butler's elevation have, however, to be taken into careful account, and I was inclined to believe that the indirect effects his elevation might exert on the choice of a Secretary-General [of the League of Nations] would outweigh the advantages which his experience and general acceptability would confer on the I.L.O. The indirect effects I had in mind were twofold: In the first place, the appointment of an Englishman as Director automatically precludes any possibility of an English candidate being considered for the post of Secretary-General. In the second place, it would confirm the principle of promotion by seniority, which is apt to afford an attractive evasion of difficult decisions. The election of an English Deputy Director in Thomas' place would seem to assure the succession of the senior Under-Secretary-General, who happens to be a Frenchman, in Sir Eric Drummond's stead.

These considerations, I take it, have not been absent from the mind of His Majesty's Government in the United Kingdom, and I should be interested to know whether they expect to accord to Mr. Avenol in September the support which Mr. Butler's candidature will undoubtedly secure in July.

Personally, I think it would be the part of wisdom for the Governing Body to defer its choice of Director until the Assembly has had an opportunity of confirming the Council's nomination of a successor to the Secretary-General. If such a course is impracticable, I shall take this opportunity of assuring you that the representative of His Majesty's Government in Canada on the Governing Body of the I.L.O. will be glad to support Mr. Butler's candidature.

Yours sincerely,

O. D. SKELTON

487.

Le ministère du Travail au Conseiller
Department of Labour to Advisory Officer

TELEGRAM Ottawa, June 21, 1932

Appointment Butler vacant directorship ILO acceptable to Canada as it is also to British Government. Our vote accordingly should be given Butler at approaching Governing Body meeting.

488.

Le haut commissaire de Grande-Bretagne au sous-secrétaire d'État aux Affaires extérieures

British High Commissioner to Under-Secretary of State for External Affairs

Ottawa, June 29, 1932

My dear Doctor,

After careful consideration of the views expressed in your letter of the 17th June with regard to the candidature of Mr. H. B. Butler for the post of Director of the International Labour Office, my Government have instructed me to inform you that in their view this appointment would not necessarily preclude the selection of a British subject as successor to Sir Eric Drummond. The two appointments, they consider, should be kept quite distinct. As you are no doubt aware, they do not propose to put forward a candidate for Secretary-General. It is possible that should the other Powers on the Council be unable to agree on a candidate of some other nationality, they may in the last resort fall back upon a British subject, but in any case a British candidate could not be proposed for the post by His Majesty's Government in the United Kingdom.

In the circumstances, at the forthcoming meeting of the governing body of the International Labour Office His Majesty's Government in the United Kingdom propose to intimate that they are prepared to proceed with the election of the new Director at once. Should the meeting be strongly in favour of postponement until September, they will not, of course, raise any objection.

Yours sincerely,

W. H. CLARK

489.

Le Conseiller au Premier ministre

Advisory Officer to Prime Minister

Geneva, January 25, 1934

Dear Mr. Bennett,

Since the death of Senator Robertson, the seat reserved for the Government of Canada on the Governing Body of the International Labour Office has, I understand, not been filled by the appointment of a regular member. I should be indeed grateful if your Government could see its way to giving me this appointment.

I have now been almost continuously associated with the International Labour Organisation since November 1919, when I represented the Government of Sir William Hearst as a member of the Canadian Delegation to the First International Labour Conference in Washington. From 1920 to 1924 I was a member of the staff of the International Labour Office. Since my appointment as Canadian Advisory Officer in 1925, I have acted as substitute for the Minister of Labour, who has been the regular member of the Governing Body, and, with two or three exceptions, I have had the sole responsibility of representing the Canadian Government at the last 40 sessions.

This year it is the turn of an overseas member of the Governing Body to be elected Vice-Chairman, and the person so elected becomes Chairman the following year. The present Chairman intimated to me this week that it was generally accepted by the members of the Governing Body that, because of my long association with and knowledge of the work of the International Labour Organisation, I should be elected to these positions in 1934 and 1935. The Chairmanship is of considerable importance; in fact, next to the Presidency of the Conference, which Senator Robertson held in 1932, it is the highest honour in the gift of the International Labour Organisation.

I trust that your Government will see no objection to my accepting this honour, and that they will appoint me as their regular representative on the Governing Body, at least until the end of 1936. This is the only way in which Canada can obtain the Chairmanship of the Governing Body, as the holder of the office, in addition to being a regular member, must attend all the sessions and be available for consultation with the Director in the intervals between them. My election as Chairman would be considered internationally as an honour to Canada. It would not involve the Government in any additional expense, however, as any necessary entertaining is provided for in the budget of the Labour Organisation.

In view of all these considerations and of the fact that it has become customary for Governments to be represented at the Governing Body by their regular members, I trust that it may be found possible to appoint me as the regular representative of the Canadian Government. If it is considered desirable that I should be in a position to accept the Chairmanship, the appointment should be made before the next Session of the Governing Body, which is to be held during the week of 23rd April.

In the past, I have always tried to obtain honours in Geneva for other Canadians, and I should not press my personal claim in this instance if another Canadian could hold the office. As this is not the case, I hope that it may be found possible to grant my request.

Yours sincerely,

W. A. RIDDELL

490.

Décret du Conseil
Order in Council

P.C. 498 March 9, 1934

The Committee of the Privy Council have had before them a report, dated 6th March, 1934, from the Secretary of State for External Affairs, recommending, with the concurrence of the Minister of Labour, that Dr. W. A. Riddell, Dominion of Canada Advisory Officer accredited to the League of Nations, be nominated as the representative of the Government of Canada on the Governing Body of the International Labour Office.

The Committee concur in the foregoing recommendation and submit the same for approval.

491.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 53 Geneva, August 21, 1934

United States Government yesterday, Monday, formally accepted membership in International Labour Organisation.

492.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 79 Geneva, December 10, 1934

IMMEDIATE. CONFIDENTIAL. Reference question of determining eight States of chief industrial importance. Bureau of Governing Body, International Labour Office, on December 8th adopted Report to the effect that: (1) The Governing Body is the competent authority to determine which are the eight States; (2) They shall take action to determine these eight States whenever a new situation appears to warrant it or a State claims to be one of eight States; (3) Revised list shall come into force at a date fixed by Governing Body; (4) In case list is contested recourse shall be had to the Council of the League of Nations; (5) States losing seats through revision of list should if possible arrange to continue as Deputy Members until the next election; (6) Present criterion be replaced by (a) Contributions to the League of Nations; (b) Industrial importance as Institut für Konjunkturforschung; (c) Value of

external trade as established by the League of Nations; (d) Total effective population. Data based on these four criteria, which I have seen, places Canada ninth.

I found myself in minority of one in respect of (1) (3) and (6), presenting our case based on memorandum received from Mr. Read and Mr. Coats. As regards (6) in order to gain time for consideration of Office proposal, I moved that a Committee consisting of statistical experts be set up, including experts from interested States, to report on the whole question. This was rejected but it was agreed that three statistical experts should be consulted regarding definition of effective population and weight to be given criterion.

Would appreciate knowing Government's views by Friday.

493.

Le ministère du Travail au Conseiller
Department of Labour to Advisory Officer

TELEGRAM Ottawa, December 13, 1934

View of my Government is that Governing Body having been constituted for three years term at recent conference May last no change should be made before the expiration of that period or certainly not before the next conference. View of Canada is that International Labour Conference is the only authority with power to determine in the first instance which are eight states. The only other body having any authority is the Council of the League of Nations and it only functions when conference fails to agree.

494.

Le Conseiller au ministère du Travail
Advisory Officer to Department of Labour

TELEGRAM 11 Geneva, December 29, 1934

Government is invited submit observations (in writing or by sending representative to meeting in Paris January 7th) on the following conclusion(s) of the expert(s) consulted on the question of the eight states of chief industrial importance. (1) For each of the criteria selected by the officers of Governing Body, the average(s) for all the countries considered should be taken [as] 100, and the figures for each country computed as a percentage this figure. (2) The figures for occupied population should be obtained by computing two separate series one including [one] excluding female population occupied in agriculture and averages of these two series should be taken. (3) The four criteria should be weighted in the proportions three each for the

foreign trade, League contributions, and industrial activity and one for occupied population. In accordance with these recommendations tables have been compiled. "Value foreign trade" is estimated in gold dollars on basis five year period 1929-1933. "Occupied population" given is for 1931. "Relative importance industrial activity" is represented by "percentage world total". As a result these, Canada would rank ninth India fifth Italy seventh Japan eighth and Belgium thirteenth. Meeting of officers Governing Body has been postponed to January 9th.

495.

Le ministère du Travail au Conseiller
Department of Labour to Advisory Officer

TELEGRAM Ottawa, January 2, 1935

Government desires you attend Paris meeting January seven and postponed meeting officers of Governing Body January nine to oppose strongly any change whatever involving Canadian Government seat Governing Body on grounds set out my cable fifteen December and Read Memorandum. You cannot emphasize too strongly Dominion view that Governing Body would be acting beyond its authority in this matter. Mail complete statistical information mentioned in your last telegram and cable Canada's position on each item of criteria also standing first twelve in order that any further instructions may be sent you for Governing Body meeting January twenty-nine.

496.

Le ministre en France au ministère du Travail
Minister in France to Department of Labour

TELEGRAM Paris, January 8, 1935

Following from Dr. Riddell, Begins. Reference your telegram of January 2nd. Experts meeting yesterday, Monday, submitted: (1) That Governing Body was incompetent to change in any way, on its own authority, situation of right of eight States of chief industrial importance determined by last Labour Conference; (2) That abandonment of system relative to criteria was contrary to interpretation of Article 393 as given by experts and council in 1922; (3) That population should not be made a separate series since it is taken into account under contributions to League and industrial activities that in any case definition of population was too comprehensive and assigned it too highly; (4) That agricultural population should be included only when

agriculture was conducted according to modern industrial methods as agreed in 1922.

In reply to enquiry experts justified dropping of [garbled] on the grounds it did not take into account extent spread.

The experts agreed to consider my observations in drafting their final report.

Canada was only country which made a statement although Belgium sent an observer.

497.

Le ministre en France au ministère du Travail
Minister in France to Department of Labour

TELEGRAM Paris, January 10, 1935

Following from Dr. Riddell, Begins. Yesterday afternoon, Wednesday, Committee Governing Body adopted report of Statistics experts regarding combining criteria and decided to propose Governing Body should declare at its Sixty-Ninth Session that United States, Great Britain, Germany, France, India, U.S.S.R., Italy, Japan are eight States of chief industrial importance and that this declaration should take effect from the opening of Seventieth Session.

I voted against these decisions and formally presented as a member of Committee a minority report which reads as follows: I desire state I disassociate myself with report of other members of Bureau on the ground that conclusions of report are not in conformity with the constitution of the International Labour Organization and authorized interpretation thereof.

I consider International Labour Conference is only authority with power to determine in the first instance which are the eight states of chief industrial importance and that "in estimating the industrialization of a country account must be taken of relative totals" as stated in the report of the committee of experts in 1922 and by Viscount Ishii in his first report to Council.

Furthermore, I am not convinced the criteria selected in 1922 will not permit of a solution of the problem which is under consideration and that it is necessary to substitute for these new criteria of a more general character showing the economic, social and political importance as well as the industrial importance of states referred to in Article 393 of constitution.

Finally it seems to me if Governing Body is incompetent to change *de jure* situation of eight states of chief industrial importance, follows that it cannot adopt method of calculating and weighting data as to industrial importance of these states which would have the effect of altering their *de jure* situation.

498.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

PARAPHRASE OF TELEGRAM 1 Ottawa, January 10, 1935

SECRET. Your telegram 10th December, 1934, No. 79, and subsequent correspondence with Minister of Labour respecting composition of Governing Body of International Labour Organization.

1. The Government is desirous of maintaining Canadian permanent seat on Governing Body—but does not wish to find itself in isolated opposition to proposed reconstitution of Body and saddled with responsibility for exclusion of United States from permanent seat. It is most important, in these circumstances, that we receive full information on attitude of interested Governments to proposed measures and on possibilities of an *ad hoc* solution of present difficulties which could postpone consideration of determination of eight states of chief industrial importance until 1937.

2. Kindly ascertain whether Soviet Union is pressing its claim to permanent seat on Governing Body—or whether, reserving what rights it may have until 1937, it would accept an arrangement which found a seat for the United States at once.

3. On the assumption that German seat will not be formally vacant until October 1935—is it in any way possible to anticipate this vacancy and appoint the United States before next meeting of Conference in Germany's place. As an alternative, would the U.S.A. accept a deputy member's seat for next meeting of Governing Body on the understanding it would take Germany's place in October.

4. Is there any foundation to rumour that Belgium is prepared to resign to make way for the United States of America.

5. What arrangements, if any, are being made for United States representation on Workers and Employers Groups in Governing Body. Ends.

499.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 2 Geneva, January 17, 1935

IMMEDIATE. SECRET. Your telegram No. 1 of the 10th January. The only other interested Government which might take action is Belgium. There is no temporary arrangement contemplated which would postpone until 1937 determining of eight States of chief industrial importance. Belgium, I understand, has suggested to Director of Labour Office creation of Deputy Member

seat with the right to take part in discussions and retain membership on Committee for the two members displaced.

2. M. Litvinoff told me yesterday that as their Workers' Organisation did not desire to cooperate with International Labour Organisation his Government had decided not to participate in the work of Governing Body until their Workers' Organisation were favourable to their doing so. Litvinoff considered that in the meantime Governing Body was free to dispose of any seat which might be allocated to Soviet by virtue of Article 393.

3. It is considered that the United States would not accept Deputy Member seat and in any case could not be appointed in the position of Germany before the next meeting. It is possible that Governing Body could fill German seat but at present it is considered politically inadvisable.

4. Belgium is not prepared to give its seat to the United States.

5. Arrangements have been made by Employers' Group at 1934 elections for one of their eight members to resign should United States employers desire representation. Understand that Workers' Group will provide seat for United States workers' representative by letting him occupy an overseas seat in the absence of holder, or when this is not possible, by giving him a European seat provided by rotation.

6. In view of likelihood of Canada being omitted from new list and isolated if we appeal to Council, I would suggest for your consideration following line of action: that Canada, while maintaining its right to remain on Governing Body as one of the eight States of chief industrial importance and urging that further studies should be made in order to determine which are the eight States of chief industrial importance, should agree in order to bring about early participation of United States not to appeal to Council against list as finally adopted on condition that elected members of Governing Body resign their seats during forthcoming International Labour Conference to enable Conference forthwith to proceed with new elections.

There is some doubt whether this procedure would be acceptable to other members but if it were I feel confident that Canada would be elected, and if withdrawal of Germany becomes effective, would again be one of eight States. Letter follows by tomorrow's bag.

500.

Le ministère du Travail au Conseiller
Department of Labour to Advisory Officer

TELEGRAM Ottawa, January 26, 1935

Instructions will be telegraphed you first of week for your further guidance regarding Canada's right to permanent seat Governing Body International Labour Office. Suggestion made however in concluding part your telegram seventeenth instant is not at all viewed with favour here.

501.

Le ministère du Travail au Conseiller
Department of Labour to Advisory Officer

TELEGRAM Ottawa, January 28, 1935

Again emphasize views expressed my cablegram December 13th. Canada's right to seat on the Governing Body was determined by Council of League and Conference 1922 and until that body or Conference itself determines otherwise we should not be deprived thereof. Moreover resolution of Council of September 30th, 1922, supports our contention that personnel of Governing Body should not be disturbed during three-year period. Question of United States being represented on the Governing Body is definitely one altogether distinct from Canada's displacement therefrom. Canada is as emphatically in favour of former as she is opposed to the latter but claims that present procedure is unconstitutional and that seat on Governing Body for United States should be arranged otherwise and in accordance with terms of the treaty. Reference your telegram 18th Dominion attitude clearly defined in our successive telegrams of September 19, 1932, January 21, 1933, and June 8 and 18th respectively, 1934. Desirable if possible to postpone discussion for day or two as I wish to discuss international phase of question tomorrow with Prime Minister.

502.

Le Conseiller au ministère du Travail
Advisory Officer to Department of Labour

TELEGRAM 7 Geneva, January 31, 1935

After all discussions in which I presented detailed arguments in accordance with your instructions, and Belgium waived objection to majority report, Governing Body tonight, Thursday, (a) voted 24 to one to accept new list eight States set forth my telegram 10th January, to take effect at the next session Governing Body in April, and (b) voted unanimously resolved to accord Canada and Belgium deputy seat till 1937.

On (a) explained that we were voting, not against inclusion of report but against competence Governing Body, pointing out I would communicate with my Government as to what further action it may propose to take. On (b) abstained from voting. Despatch follows by mail.

503.

Le sous-secrétaire d'État aux Affaires extérieures au sous-ministre du Travail
Under-Secretary of State for External Affairs to Deputy Minister of Labour

Ottawa, October 25, 1935

Dear Mr. Dickson,

I have your letter of the 23rd October transmitting copy of Dr. Riddell's telegram of the same date, advising you that as a result of the retirement of Germany from the League, Canada has become, once more, one of the eight States of chief industrial importance in the International Labour Organization. I see by this morning's press reports that this restoration to Canada of a permanent seat on the Governing Body has entailed Dr. Riddell's immediate election to its Chairmanship. As Chairman he will be expected to head the Governing Body's representation at the Labour Conference of American States which the Chilean Government is convening in Santiago in January next—although in the present circumstances I do not see how he can be absent from Geneva for any considerable period during the next months.

Yours sincerely,
O. D. SKELTON

504.

Le sous-ministre du Travail au sous-secrétaire d'État aux Affaires extérieures
Deputy Minister of Labour to Under-Secretary of State for External Affairs

Ottawa, November 6, 1935

Dear Dr. Skelton,

I am in receipt of your communication of the 25th ultimo and forward herewith for your information copy of decoded cable #41, in which Dr. Riddell asks definitely whether or not the Government approves of his undertaking the duties of attending and opening Santiago de Chile Conference as head of the Governing Body Delegation.

I have consulted my Minister in the matter and am to state that we are not aware in the Department of Labour of any matters concerning the International Labour Organization in Geneva affecting the interests of Canada in that Organization which would interfere with Dr. Riddell attending and opening the special conference to be held in Santiago de Chile. Having regard to the fact that Canada has again been awarded a seat on the Governing Body with Dr. Riddell, the Canadian Representative, appointed as head of that Body it would indeed appear to be desirable that he should attend and open this conference, if his other duties in Geneva will permit. This latter question involves, however, the responsibilities which devolve upon him for the Department of External Affairs in connection with the League of Nations.

Yours truly,
W. M. DICKSON

505.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 92 Ottawa, December 3, 1935

Your telegram No. 207, November 20th. Department of Labour, to which your telegram under reference was referred, today informed us they have already cabled appointing you Canadian Government representative at Santiago Conference. It is understood that Dr. Renaud, who will be Acting Advisory Officer during your absence, will arrange to inform us, as far in advance as possible, of any important meetings at which he may consider it desirable to have a senior Officer head Canadian representation.

PARTIE 3/PART 3

UNION PANAMÉRICAINE
PAN-AMERICAN UNION

506.

Le conseiller à Washington au sous-secrétaire d'État aux Affaires extérieures
Counsellor in Washington to Under-Secretary of State for External Affairs

CONFIDENTIAL Washington, October 29, 1931

My dear Dr. Skelton,

The Government of Mexico proposes to revive the question of the admission of Canada to the Pan-American Union. The newly appointed Mexican Ambassador arrived only a couple of days ago and he has already taken the matter up, so that I infer that he has instructions from his Government. He wished to see Mr. Herridge about it, and when I said that I was sure that Mr. Herridge would be glad to see him next week when he returned, the Ambassador sent the Counsellor of the Embassy to convey the message to me.

I gathered from him that the Mexican delegation had privately raised the question at the recent Pan-American Commercial Conference here and that it had met with a most favourable response from the other delegations, with the solitary exception of that from Uruguay, which had raised some formal objections. They now wish to go ahead, so that Canada can sit at the next general conference at Montevideo in 1934 [1932] but before proceeding further they are anxious to secure a definite intimation that this course will be welcomed by the Government of Canada.

I temporized, of course, in replying, while expressing gratification at the interest taken by the Mexican Government in desiring Canada's admission. I suggested that Mr. Herridge should discuss the matter with the Ambassador on his return, and said that I was certain that the Government would wish to give very careful consideration to the proposal. It is a difficult thing to refuse gracefully, and if we wish to refuse it we had better take our time to work out a method which will cause no resentment in Mexico and in other Latin American countries which favour the idea.

If Mr. Herridge is still in Ottawa when this letter reaches you I should be glad if you would show it to him so that he may know what is in store for him and give the matter preliminary consideration. If he has already left, this will prepare you for a further report following on his conversation with the Mexican Ambassador.

Yours sincerely,

H. H. WRONG

507.

Le ministre aux États-Unis au sous-secrétaire d'État aux Affaires extérieures
Minister in United States to Under-Secretary of State for External Affairs

PERSONAL Washington, December 3, 1931

My dear Dr. Skelton,

The Canadian papers in the last day or two have probably been carrying reports concerning the steps which the Mexican Ambassador is taking to include Canada in the fold of the Pan American Union. Wrong wrote to you shortly after the new Ambassador's arrival, describing a discussion with the Counsellor of the Mexican Embassy on this subject. Since then, Dr. Puig has raised the question with me when I went to pay the usual courtesy call on him after his arrival. I told the Prime Minister, when I saw him in New York on his way to England, about Dr. Puig's suggestions.

All that Dr. Puig proposed for the present was that arrangements should be completed for Canada to be represented by an observer at the Montevideo meeting next year. He did not suggest any action committing Canada to membership in the Union. I answered along the obvious lines and promised to take up the matter with the Prime Minister.

I expected that the matter would rest there for the time being, but Pearson of the *Baltimore Sun* somehow got wind of the suggestion and published a story yesterday to the effect that Dr. Puig was proposing to bring the question of Canada's adhesion before the Governing Board of the Pan American Union at yesterday's meeting. I enclose a copy of his article and of a further article which appeared today, from which you will learn about our deep-laid scheme to build up an empire in the Caribbean. What the Ambassador is

doing seems to be to sound out opinion among the members of the Governing Board concerning our representation by an observer at the Montevideo conference; and he issued a statement yesterday to the effect that the actual admission of Canada to the Union was not under consideration. He seems to have been talking pretty freely to the press, but I have had no further communication with him.

I doubt that there is any real ground for Pearson's statement in his first article that the State Department is strongly opposed to Canada's admission. When a similar story was published during the Havana conference some years ago, Kellogg went out of his way to tell Massey that he personally would welcome the inclusion of Canada.

I think that a little public discussion of the question at this time will do no harm. I shall not comment now on the issues involved, but I am writing simply to keep you informed, since the papers may be carrying stories involving the Legation about which you have no information from us. I shall talk over the question with you when I am next in Ottawa; and after the Prime Minister's return we can decide whether we should tactfully dissuade the Mexican Government from pursuing the question further.

Yours sincerely,

W. D. HERRIDGE

508.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 576 Washington, May 7, 1932

Sir,

I have the honour to inform you that following the May meeting of the Governing Board of the Pan American Union it was announced on May 4th that it had been decided to postpone the 7th International Conference of American States, which was to have convened at Montevideo in December 1932, until December 1933. The reason given by the Governing Board for the postponement was that it had become evident that the preparatory study of the juridical and economic questions on the agenda of the Conference could not be completed by next December. It is generally understood, however, that the underlying motive was the reluctance of many of the countries concerned to incur this year the expenses involved in sending delegations.

I have etc.

H. H. WRONG
for the Minister

CHAPITRE V / CHAPTER V

ACCORDS MULTILATÉRAUX
MULTILATERAL ARRANGEMENTS

1. Désarmement et sécurité
2. Réparations
3. Commerce du blé
4. Services aériens
5. Radio

1. Disarmament and Security
2. Reparations
3. Wheat Trade
4. Air Services
5. Radio

PARTIE 1/PART 1

DÉSARMEMENT ET SÉCURITÉ
DISARMAMENT AND SECURITY

509.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.15 London, February 23, 1931

MOST SECRET. Following for Prime Minister. Begins. As a result of London Naval Treaty, as you will be aware, negotiations have been proceeding between France and Italy, and informal conversations between experts have since November been carried on with the participation of experts of the United Kingdom.

It appears, as result of latest conversations at Paris between Craigie of the Foreign Office and Massigli, that the French Government would be willing, subject to agreement of Italy, to adopt an arrangement for the period of London Treaty which would give France the right to retain until 1936 certain quantities of over age tonnage in all except aircraft carriers and submarine categories and would, in addition to vessels at present authorized or under construction, permit her to complete construction of certain new vessels in the same period of tonnage; capital ships 46,666 tons; aircraft carriers 30,000 tons; category B cruisers and destroyers 54,926 tons; submarines 5,600 tons.

Approximately similar rights would be accorded to Italy, though volume of over age tonnage retained would in her case be negligible and her total volume of permissible new construction would be 4,997 tons less.

These proposals considerably narrow down difference between France, Italy and ourselves but figures for French submarines and light surface craft categories, namely, submarines 83,137 tons, light cruisers and destroyers 242,836 tons, are still greater than His Majesty's Government in the United Kingdom would feel able to accept as part of an International Treaty unless under the provisions of Article 21 of the London Naval Treaty recourse were had to an increase in British Commonwealth destroyer tonnage above limit at present fixed by Treaty—a course of action which they would not desire to contemplate.

The First Lord of the Admiralty and the Secretary of State for Foreign Affairs have in the circumstances proceeded today to Paris in order to discuss with the French Government the situation which has arisen and if it is found such a visit would help in promoting settlement hope to be able to proceed thence to Rome. Ends.

510.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.18 London, February 28, 1931

IMMEDIATE. Discussions of French and Italian Governments on Naval Armament. The following communiqué has been given to the press in Rome today. Begins. The result of the friendly conversations which have been taking place in a spirit of cordial collaboration between the Chiefs of the Italian Government, Signor Grandi, Signor Sirianni and Mr. Henderson and Mr. Alexander is that agreement has now been reached in principle on the questions left outstanding in London Naval Conference.

The terms of the proposed agreement have still to be submitted to the French Government and Mr. Henderson and Mr. Alexander are proceeding to Paris for this purpose. Should the French Government agree, the proposals would then be submitted to the Government of the United States of America, Japan, Great Britain and the British Dominions who were represented at the London Naval Conference. Ends.

511.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 29 Ottawa, March 4, 1931

IMMEDIATE. MOST SECRET. Your telegrams Circular B.15 of 23rd February to March 1st regarding Naval negotiations received. His Majesty's Gov-

ernment in Canada have learned with pleasure of the progress which has been made in solving the Franco-Italian difficulty through the initiative and the skill and tenacity of the representatives of His Majesty's Government in the United Kingdom. We concur in the view that a provisional agreement as to French-Italian naval strength is highly desirable before opening of general Disarmament Conference, and will be pleased to do anything in our power to facilitate a settlement. However, we feel concerned over any settlement which will involve a formal revision, particularly in upward direction, of the Washington Treaty provisions for capital ships, in view of the fact that this would necessitate action by United States Senate and might afford an opportunity for renewal of agitation by the forces which were never satisfied with the Washington Treaty or the London Treaty arrangements as to capital ships. In the Session coming immediately before a Presidential election this might be particularly serious. Would it be considered feasible to defer any formal action until the general Disarmament Conference is held in February, 1932, in view of bearing of this Conference on the permanency of any arrangement reached now, and impossibility of formal action by United States Senate before next Session in December which will undoubtedly carry on after Disarmament Conference. However, we have no doubt that this phase is being fully considered and discussed with other governments interested, and should be glad to be informed of the attitude of the United States and also of the Japanese Government on the present proposals. Ends.

512.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.25 London, March 4, 1931

IMMEDIATE. MOST SECRET. My telegram of today, Circular B.24, Naval negotiations. Following for the Prime Minister. Begins. His Majesty's Government in the United Kingdom and the French and Italian Governments are most anxious to be able to make a statement on the subject at the earliest possible date and hope it might then be possible to state that bases of agreement are generally acceptable to all Governments concerned, and if so, as His Majesty's Government in the United Kingdom trust, in view of great political advantage which may be expected to follow upon its conclusion, the proposed agreement commends itself to His Majesty's Governments in the Dominions, they would much appreciate it if the Dominion Governments were able to indicate their general approval by the end of the present week. The Governments of Japan and the United States are similarly being asked to endeavour to communicate their approval within the next three or four

days. Actual form of Declaration required to record agreement is being considered and a further communication will be sent you on this aspect as soon as possible. Ends.

513.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominons Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 23 London, March 6, 1931

IMMEDIATE. MOST SECRET. Following for Prime Minister. Begins. We much appreciate terms of message contained in your telegram No. 29 of the 4th March, and willingness of His Majesty's Government in Canada to cooperate in steps required to record a settlement.

We appreciate force of your point regarding revision of provisions of Treaty of Washington with regard to capital ships which has in fact been mentioned by the Government of the United States; somewhat similar difficulties might also arise if there were any question of ratification by the Japanese Privy Council of revision of Washington Treaty. The matter is therefore being very carefully considered here with a view to seeing whether it would be possible to frame a method of procedure which would have the effect of avoiding difficulties described in your telegram. Although final replies of the United States and Japanese Governments on the substance of bases of agreement have not yet been received, there appears to be little doubt that they will be satisfactory.

We assume from terms of your telegram (which we observe was sent before receipt of telegrams Circular B. 23, 24 and 25 of March 4) that in any statement to be made here next week (see my telegram Circular B.28 of today) it may be stated bases of agreement have general approval of His Majesty's Government in Canada but we should be grateful for confirmatory telegram. Ends.

514.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 32 Ottawa, March 7, 1931

IMMEDIATE. MOST SECRET. Following for your Prime Minister. Begins. His Majesty's Government in Canada have pleasure in stating their general approval of the proposed bases of naval agreement regarding Italy and France. I note that the point discussed in our telegram of March 4th, No. 29, is receiving full consideration. Ends.

515.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.33 London, March 17, 1931

IMMEDIATE. CONFIDENTIAL. Naval negotiations with France and Italy. At the suggestion of the French Government, arrangements have been made for the setting up of a drafting Committee of Jurists to frame formal documents embodying basis of agreement and to consider most convenient manner of procedure generally.

This Committee will, it is understood, be almost identical in composition with drafting Committee of London Naval Conference, and will probably meet in London on the 19th March. United Kingdom Jurist will be Sir William Malkin.

His Majesty's Government in the United Kingdom are, for their part, anxious that form should be as simple as possible, and they gather that this view is shared by the United States and Japanese Governments who desire to avoid difficulty and delay which might follow upon any course necessitating formal approval by the United States Senate and Japanese Privy Council. Pending meeting of drafting Committee, however, probable that form cannot be indicated in any detail.

In view of correspondence which has passed we understand that each of His Majesty's Governments in the Dominions will be prepared to nominate a representative to sign on their behalf such documents forming a part of arrangement as may require signature in respect of Members of the British Commonwealth of Nations which were represented at the London Naval Conference. It would be very convenient and would much facilitate work of the United Kingdom representatives on drafting Committee if any representative so nominated could also be available for consultation with United Kingdom representatives when necessary on any questions as to form of documents which may arise.

In view of early meeting of drafting Committee we should be grateful to learn as soon as possible names of representatives whom His Majesty's Governments in the Dominions would desire to nominate for above purposes.

516.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 42 Ottawa, March 19, 1931

Your confidential telegram Circular B.33 of March 17th, 1931, concerning documents embodying naval agreement with France and Italy. We are com-

municating with High Commissioner who will if necessity arises arrange for consultation with United Kingdom representatives on questions concerning form of documents. Arrangements will be made for High Commissioner signing on behalf of this Government such documents as may be agreed upon by the parties concerned.

517.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.42 London, April 6, 1931

MOST SECRET. My telegram Circular B.33 of the 17th March. Naval negotiations. A difficulty has occurred in connection with preparation of formal documents embodying Bases of Agreement. London Naval Treaty, Part 3, establishes limits, which are not to be exceeded on 31st December, 1936, in tonnage of various categories. In order to attain these levels the method of determining amount of new construction which is permissible is based on two main principles dealing with:

1. New construction of ships to be completed by 31st December, 1936;

2. Additional construction for the years 1934, 1935 and 1936 which is to be limited (under last sentence of Article 19) to replacement of vessels becoming over age in 1937, 1938 and 1939.

Negotiations with French and Italians have throughout been based on these two principles and indeed it had been assumed almost up to date of announcement of Agreement that both France and Italy would come in to part 3 of the Treaty on the same basis as other Powers. Possible difficulties with the United States Senate and Japanese Privy Council rendered this course undesirable at the last moment, but it was nevertheless made clear when Mr. Henderson and Mr. Alexander were in Paris that words in paragraph C(a)(2) of Bases of Agreement "those provisions (of part 3 of London Naval Treaty) which are of general application" must be held to include last sentence of Article 19 of London Treaty. As in the case of members of the British Commonwealth of Nations, United States and Japan, this would automatically regulate the amount of tonnage which France and Italy would have *under construction* on December 31st, 1936.

French Government were believed to have shared this understanding subject to addition to Article which was to reproduce effect of last sentence of Article 19, of some such phrase as "without prejudice to decisions of 1935 Conference" i.e., the Conference referred to in Article 23 of London Treaty.

Effect of this addition would have been to enable French, if they wished, to ask 1935 Conference for additional construction in 1936, but would have entailed no obligation on either ourselves or Italians to accept such a request. It became clear for the first time when French representatives reached London that they interpreted "bases of agreement" as regulating only construction to be completed by year 1936 and that failing agreement at 1935 Conference as to additional tonnage which France and Italy might be allowed to construct during the years nineteen hundred thirty five and nineteen hundred thirty six, those powers would have a free hand for construction in those years.

The French thesis is quite unacceptable to the Italian Government because principal advantage of the agreement from Italian point of view had been stabilisation of building programme and reduction in expenditure which they had foreseen from the spread over six years of tonnage available for new construction. These advantages would however in the Italian view disappear if programme were not only to be compressed into four years but also probability that increased building programmes in 1935 and 1936 had to be considered. The French interpretation of bases of agreement was also entirely unacceptable to His Majesty's Government in the United Kingdom directly because in their view it is entirely at variance with principle upon which agreement had been negotiated and secondly because admission of French claims would mean in practice that while Members of British Commonwealth of Nations remained bound for six years, France would only remain bound for four years and might afterwards resume complete liberty of construction.

Efforts to overcome difficulty have not been successful up to the present. In view, however, of deplorable political consequences of a breakdown at this stage, conversations are still continuing with a view to a solution being found. Message ends.

518.

Le sous-secrétaire d'État aux Affaires extérieures au Haut commissaire
Under-Secretary of State for External Affairs to High Commissioner

Ottawa, June 24, 1931

Sir,

On February 9th last the Prime Minister received a cable from the British Prime Minister concerning preparatory work required for the forthcoming General Disarmanent Conference and suggesting that the Dominions nominate representatives in London with whom the British Cabinet Committee, appointed to direct the work of preparation for the above Conference in Great Britain, could place themselves in touch whenever desirable.

It has been decided that no one should be nominated for this purpose until the preparatory work, both in this country and in Great Britain, had reached a stage which would seem to make formal consultation desirable. The Canadian preparatory work has been recently entrusted to an Inter-Department Committee consisting of representatives of the Departments of External Affairs and National Defence. This Committee consists of the Chief of General Staff, the Chief of the Naval Staff, the Under-Secretary of State for External Affairs and the following additional members, who constitute a Sub-Committee which is already at work on the subject:

Lt.-Col. H. D. G. Crerar
Commander W. B. Hynes, R.N., Director of Naval Intelligence
Lt.-Commander R. H. Wood, R.C.N., Staff Officer Intelligence
Sqd.-Leader A. L. Cuffe, Deputy Minister, R.C.A.F.
Mr. L. B. Pearson, First Secretary, Dept. of External Affairs
Mr. Norman Robertson, Third Secretary, Dept. of External Affairs
Mr. A. Rive, Third Secretary, Dept. of External Affairs.

It has been suggested that it would be valuable if the Sub-Committee in question, through its Chairman Mr. L. B. Pearson, could consult informally with Colonel Vanier on the subject of its work, thereby taking advantage of both Colonel Vanier's knowledge of the subject and of his close touch with the work that is going on in London.

If this is agreeable to you it would be appreciated if you would inform Colonel Vanier of the existence of the Committee in question and of its desire to keep in touch with him on subjects connected with its work.

I have etc.

O. D. SKELTON

519.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 93 London, July 23, 1931

Reference—League of Nations document numbered C.L.124.1931.IX dated 13th June, 1931, and Foreign Office letter dated 12th March with League of Nations C.198.M.80.1931.IX. At an informal meeting of Secretaries and Experts of United Kingdom and the Dominions which Vanier attended, question was raised of adopting uniform type of model statement which would be used by the United Kingdom and by the Dominions in regard to Naval returns to the League. The three following possible methods were mentioned for publication of tonnage and list of ships:

Firstly. United Kingdom and each Dominion to send only its own separate tonnage and ships. This method was not considered satisfactory

vis-à-vis Foreign States in view of London Naval Treaty totals under heading British Commonwealth of Nations.

Secondly. United Kingdom and each Dominion to send separate tonnage and ships and also Commonwealth totals.

Thirdly. United Kingdom and each Dominion to send separate tonnage and ships and United Kingdom alone to send Commonwealth totals.

Next Monday there will be a meeting of the High Commissioners with Secretary of State for Dominion Affairs when it is hoped that agreement will be reached concerning one of above methods of publication of tonnage and ships. The question of publishing figures of Naval Effectives was also examined and general feeling was that publication of Effectives might be treated in same manner as tonnage and ships. In the matter of Naval expenditures, generally thought United Kingdom and each Dominion should send only its own separate expenditures and that no collective totals should be forwarded to the Secretariat of the League for the time being at least.

Would appreciate receiving your views not later than Saturday.

520.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 84 Ottawa, July 24, 1931

SECRET. Your telegram No. 93, July 23rd, concerning naval returns to be made in connection with forthcoming Conference. Distinction between returns of figures to be given now for information only and figures to be established at Conference for limitation purposes should be kept clearly in mind, as it is only necessity of setting maximum strength which makes joint Commonwealth quota advisable. Suggest returns for information should be made separately by each member of Commonwealth represented in the League, for following reasons: (1) The precedent of the Armaments Year Book where e.g. Canadian Naval Returns for Tonnage, Effectives and Expenditures are in Canadian Chapter. (2) Not practical to send collective returns for Commonwealth for expenditure. (3) Returns of tonnage for information only, will differ from figures established by London Naval Treaty, as latter do not include exempt vessels. As regards figures to be established for limitation purposes, question of single quota for the Commonwealth for naval effectives and expenditure, in addition to single quota for tonnage as established by London Naval Treaty, under consideration here. Suggest you take matter up with Hose on arrival tomorrow who will give you our tentative views. Have informed Dominions, Hose and Vanier available for liaison work in connection with Disarmament Conference matters.

521.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 102 London, August 6, 1931

SECRET. My telegram 23rd July, No. 93, and your telegram 24th July, No. 84. Commodore Hose and Vanier's letters addressed to Skelton, 31st July. At meeting, 27th July, High Commissioners and the Secretary of State for Dominion Affairs, Mr. Ferguson, in view of consensus of opinion did not oppose suggestion that each Member of the Commonwealth should send in separate returns and that His Majesty's Government in the United Kingdom should send in two returns one showing only tonnage figures for the United Kingdom, the other showing total tonnage figures for all naval forces of the Members of the British Commonwealth taken together. High Commissioner for the Irish Free State however stated that view of the Irish Free State Government was that requirement would be met if each Member of the Commonwealth sent its own returns and that a separate collective return need not be sent by any Member of the Commonwealth. South Africa agreed to collective returns of the Commonwealth Naval Forces provided that the following preamble were inserted, "Return of collective strength of Naval Forces of Members of the British Commonwealth of Nations on the 1st March, 1931, forwarded on behalf of and at the request of all Members of the British Commonwealth". Before the High Commissioner for the Irish Free State left for Dublin Friday, 31st July, to further consult with his Government, I asked him to let me know as soon as possible whether there was any change in his Government's attitude. He has just telephoned from Dublin to say that the Irish Free State Government insists that it would be preferable for each Member of the Commonwealth to send its own returns without any collective return by a Member of the Commonwealth. I suggest that when Dominions Office consult with this Office after receiving Irish Free State's definite reply, we state that we believe that position is met by separate returns only and that collective return is unnecessary. Please cable instructions. Would ask you not to communicate with Dominions Office at present as they may not yet know Irish Free State's decision telephoned to me this afternoon Thursday.

VANIER

522.

Le secrétaire d'État aux Affaires extérieures au haut commissariat
Secretary of State for External Affairs to Office of High Commissioner

TELEGRAM 89 Ottawa, August 8, 1931

IMMEDIATE. SECRET. Your telegram August 6th No. 102 Naval returns to be made in connection with forthcoming disarmament conference. Our

telegram No. 84 July 24 represented our considered opinion on this matter and that opinion has not been changed. Under the circumstances, then, procedure suggested at end of your telegram No. 102 approved. Will not communicate with Dominions Office at present for reason advanced by you.

523.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.98 London, August 10, 1931

MOST SECRET. My telegram Circular B.8 of the 9th February. Work of preparation for International Conference on Disarmament has been under examination from point of view of United Kingdom for several months by a Sub-Committee of the Committee of Imperial Defence in which the leaders of the three parliamentary parties have taken part, including the Prime Minister, the Secretary of State for Foreign Affairs, the Secretary of State for Dominion Affairs, the three service Ministers, Sir Austen Chamberlain, Sir Samuel Hoare, Sir Thomas Inskip, Captain Eden, Mr. Lloyd George, Sir Herbert Samuel, the Marquess of Lothian and Lord Cecil. Committee have agreed unanimously on a series of Resolutions which are contained in my immediately following cable. We suggest that after Parliamentary recess these Resolutions should be considered at meeting with representatives of the Dominions and India. In the meantime we should welcome your observations.

You will appreciate that at present stage Resolutions are strictly confidential.

Copies of this telegram are being communicated to High Commissioners. Ends.

524.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.99 London, August 10, 1931

MOST SECRET. Disarmament. The following is the text of the Resolutions. Begins. It is suggested that aim of United Kingdom delegation at the Conference on Disarmament should be to carry out the principles set forth below. The occasion and method of their presentation, whether before or during Conference, whether at Plenary Meetings or in Committee, whether after

preparatory conversations and soundings, or otherwise, are matters to be decided by the Government and delegates with due regard for all the circumstances of the moment.

1. The delegates should base their policy on recognition by all States members of the League of Nations, emphasizing in the case of those that are parties to Treaty of Versailles and Final Protocol of Locarno Conference, that maintenance of peace requires reduction of national armaments to lowest point consistent with national safety and enforcement by common action of international obligations. They should, at stage they deem appropriate, declare our readiness to fulfil our treaty commitments and insist that they constitute an obligation of honour for all signatories of these treaties.

2. The delegates should make a full statement of deductions already effected by the United Kingdom, and state that any further reductions by us must be part of an international agreement. The delegates will bear in mind, also, that possibility of keeping our armaments at their present low level may have to be reconsidered unless there are comparable reductions by other Powers.

3. In considering the armaments of particular nations, the aim should be a reduction of armaments to such a point as will ensure for all nations a reasonable security. To reach this objective, successive Conferences should be held at intervals, at each of which a further stage in reduction of armaments would be reached. The military forces of the nations, whether personnel or materials, available on the outbreak of war, should be limited in such a way as to make it unlikely for an aggressor to succeed with a knock-out blow. By this means an opportunity would be given for various methods of conciliation and pacification to be brought into play.

4. In determining limit to be fixed for any country, account must be taken of its circumstances—political, geographical and international. In the first stage of what is intended to be a progressive policy of international disarmament it is necessary to take into account consideration of security and bearing thereon of recent history. Allowance, for example, should be made for circumstances of a nation like France, which has been twice invaded and once devastated within living memory, and is naturally suffering apprehensions for its security which cannot be allayed in a short time. It is no less important that Germany should be given security against invasion by her neighbours, who, collectively, are at present in a position to overwhelm her.

5. The principles combining security and limitation of offensive Powers raise two aspects of disarmament, namely,

(*a*) Its total amount, e.g., total sea, land and air forces;

(*b*) The specific character of armaments, including range and destructive capacity.

6. The most successful methods of disarmament that have as yet been evolved are those adopted in disarmament clauses of Peace Treaties, which require to be supplemented by some form of budgetary limitation. The

delegates should aim at application *mutatis mutandis* of similar principles to general reduction and limitation of armaments, and should support the procedure that same methods of disarmament should be applied to all nations alike. This should not involve the increase of fighting strength of disarmed Powers, but rather reduction of armaments of others. The elimination or limitation, as the case may be, of weapons as provided in Peace Treaties is important and should be pressed by our delegates as generally applicable. The system of supervision accepted in Disarmament Treaty, which should be on some such lines as those proposed in Draft Convention, should replace method of supervision in Peace Treaties.

7. The delegates should reaffirm our desire to see conscription abolished. If, as is probable, its abolition should prove impossible, other methods must be found for limitation of effective strengths of land and air personnel, and consequently of their reserves.

8. Full information of reserves of men and materials should be published.

9. The delegates should keep in view throughout the idea of gradually leading nations to rely for their security on obligations undertaken by all nations of the Conference to renounce war as an instrument of policy and to seek settlement of disputes by none but peaceful means. Until these engagements are accepted at their face value, disarmament can never be complete. Ends.

525.

Le haut commissariat au sous-secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Under-Secretary of State for External Affairs

CONFIDENTIAL London, September 10, 1931

Dear Dr. Skelton,

With reference to my letter of the 31st July, with which I enclosed a copy of a letter sent to Sir Harry Batterbee on the 30th July and to my secret cablegram No. 102 dated 6th August, and your secret cablegram No. 89 dated 8th August, in respect of returns which were to be sent to the Secretariat of the League in preparation for the Disarmament Conference next February, I wish to say that Sir Harry Batterbee yesterday told me that the British Government would not be forwarding any composite returns to the League, but only the separate return for the United Kingdom.

Very sincerely yours,

GEORGE P. VANIER

526.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 28 Ottawa, September 23, 1931

IMMEDIATE. Your telegram No. 60 22nd September regarding Disarmament discussion received last evening. Canadian Government heartily in accord with general proposal to establish mutual confidence by abstaining pending Disarmament Conference next year from increase in present level of international armaments and considers that such action at the present time would be effective evidence of genuine desire of nations of the world for peace. National Defence Department have indicated certain difficulties in Italian proposal which Mr. Guthrie will appreciate. *First,* limitation land armaments. A possibility exists of additional expenditure for unemployment relief on drill halls or similar works for relief purposes. These and other emergency requirements, however, might be provided for under interpretation of Committee of Experts on Budgetary Questions, Draft Annex, Section A. paragraph 5. *Second,* regarding naval construction, proposal would appear to prevent construction of exempt vessels, specially important for small countries. *Third,* aircraft construction. No objection if right of reallocation of existing total between government departments retained.

These considerations are sent for your information only. We do not think it advisable to make any lengthy or detailed statement at this stage, but merely to express general approval of principle of armament truce, leaving it to Great Powers to indicate their position before making definite commitment. If proposals generally approved, we shall doubtless be able to arrange concurrence, but if qualifications made by leading powers we can then give matter further consideration as to any necessary qualifications on our part.

527.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B. 107 London, October 7, 1931

IMPORTANT. SECRET. My telegram Circular B.101, of the 6th September, Naval negotiations. At Geneva conversations between experts have been proceeding with a view to finding some basis for a further proposal which might be acceptable to Governments concerned but which might yet fall within general framework of bases of agreement.

The proposal made by the French Government in their memorandum of the 20th April (see my secret despatch of the 6th May, Circular B.17) would have given France an annual programme of at least 40,000 tons in all

categories for the years 1931-1934 inclusive, and an unknown building programme in the years 1935 and 1936. Their average annual programme under our interpretation of bases of agreement would have been 27,500 tons for the years 1931-36 inclusive.

In view of extreme political importance of agreement being reached at an early date it seemed to be necessary to consider possibility of some compromise between these limits. The conversations at Geneva appear to indicate that compromise on the following lines, to be suggested unofficially by ourselves and the Italian Government, may prove acceptable to the French Government:

1. The bases of agreement would be held to limit all tonnage which may be laid down between the 1st January, 1931, and the 31st December, 1935, excluding only vessels laid down or to be laid down under 1930 programmes of France and Italy.

2. Within that period total tonnage in all categories which may be laid down under bases of agreement would not exceed an annual average construction for five years of 32,282 tons in the case of France, 31,016 tons in the case of Italy. Of this total of 161,409 tons for France, not more than 57,409 tons would consist of vessels in light surface craft and submarine categories. Of total of 155,080 tons for Italy not more than 51,080 tons would consist of vessels in light surface craft and submarine categories.

3. As regards the laying down of construction after 1935 liberty of France and Italy would be limited only by such decisions as may be taken by Conference on Naval Limitation which is due to meet in 1935 or by an earlier Conference.

4. Subject to above, bases of agreement would remain unaltered.

5. It would be understood that nothing in the above would prejudice the right of members of the British Commonwealth of Nations to have recourse if necessary during 1936 to increases mentioned in Article 21 of the London Naval Treaty.

The general effect of this proposal would be an almost exact compromise between our interpretation of bases of agreement as limiting all tonnage to be laid down for 6 years and French interpretation as limiting only tonnage to be laid down for 4 years (see my telegram of the 6th April, Circular B.42). The Secretary of State for Foreign Affairs who left for Paris on the 6th October will, it is anticipated, mention this proposal in general terms during the course of his visit. If the French reception is favourable it is probable that experts will immediately proceed to work out details in Paris since it seems desirable to make the greatest possible progress before Monsieur Laval leaves on the 16th October for Washington.

If it is possible to reach agreement on these or substantially similar lines, we assume that such a solution would be acceptable to His Majesty's Governments in the Dominions, but we should be grateful for the earliest possible

confirmation. Texts of any declarations drafted by experts will be communicated to the Dominion representatives in London in accordance with arrangements resulting from my telegram of the 17th March, Circular B.33. Ends.

528.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 143 Ottawa, October 10, 1931

Your telegram Circular B.107, October 7th, 1931. Franco-Italian Naval Agreement embodied therein acceptable to this Government.

529.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.115 London, November 14, 1931

SECRET. With reference to my telegram Circular B. 107, October 7th, naval negotiations, Lord Reading, in the course of his visit to Paris early in October, drew attention to the desirability of an early agreement on naval question. Laval, while concurring generally, was unable in the absence of the French Minister of Marine from Paris to go into the matter further at the time. Further progress in direction of detailed discussion has hitherto not been possible owing to absence of Massigli at Geneva followed by visit of M. Laval to Washington. Memorandum setting out details of proposed compromise (see my telegram under reference) has, however, now been sent unofficially to Massigli with an intimation, if French Government are able to accept it is understood formal assent of Italian Government will also be forthcoming. Ends.

530.

Le sous-secrétaire d'État aux Affaires extérieures
au haut commissariat

Under-Secretary of State for External Affairs to Office
of High Commissioner

Ottawa, November 27, 1931

Dear Colonel Vanier,

Last August we received a Circular telegram, B.99, dated August 10th, outlining the principles upon which the British delegation to the forthcoming

Disarmament Conference should base its policy. Our observations on those principles were requested.

We have, as you know, been considering the whole question of the Disarmament Conference here through an Inter-Departmental Committee, but we feel that until the Government has the opportunity to examine the results of our work and to formulate its own policy in respect to the forthcoming Conference, it would not be wise for us to make any observations on British policy thereto. It would be appreciated, therefore, if you could informally get in touch with the proper authorities of the British Government and let them know that we do not think it wise, at the moment, to make any observations on the telegram in question, but that when our Government has had an opportunity to give the Disarmament question official consideration and to arrive at some conclusions thereon, we shall communicate with London.

We shall be glad to hear what progress has been made on the British preparatory work in London and what effect, if any, in your opinion, recent political developments have had, or may have, on that work.

Yours sincerely,

O. D. SKELTON

531.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 2 London, January 8, 1932

Your telegram 2nd January, No. 1. We fully agree as to desirability of discussion between delegations of all members of the Commonwealth before the opening of Disarmament Conference. We are proposing to have a preliminary discussion with Dominion representatives in London on Friday, January 15th. Our idea was to have followed this up by a meeting in London between delegations of all members of the Commonwealth and I still hope it may be possible to arrange this, but owing to Reparations Conference it is difficult at the moment to make any definite arrangements. In any case even if a London meeting of all delegations cannot be arranged we hope it may be possible for the Canadian delegation to travel to Geneva via London so that there may be an opportunity of preliminary discussion with them. I propose myself to leave London for Geneva on Saturday morning 30th January and I hope that all other delegations will reach Geneva in time for us to have a meeting there on Monday, February 1st, should this prove most convenient course.

532.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 5 Ottawa, January 12, 1932

Your telegram No. 2 of 8th January regarding Disarmament Conference. Canadian delegation will consist of Right Honourable Sir George Perley, Honourable Maurice Dupré and Miss M. W. Kydd, President National Council of Women of Canada, as delegates with Dr. Riddell, Major-General McNaughton, L. B. Pearson among staff. It is hoped that High Commissioner will be able to act as delegate at later stage. As it does not appear feasible to arrange for general Commonwealth discussion in London we hope this will be possible in Geneva where Canadian delegates expect to arrive on January 30th or 31st. Delegates expect to sail on January 22nd by *Europa* to Bremen.

533.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 11 London, January 18, 1932

SECRET. Meeting with regard to Disarmament Conference held at the Foreign Office 15th January attended by the Secretaries of State for Foreign Affairs, Dominions, Air, War, India, First Lord of the Admiralty, and all High Commissioners. Sir John Simon who presided at the meeting gave summary of the views of the British Government on some of the principal disarmament problems. Dominions Office have promised to furnish us with notes of the meeting which we will telegraph as soon as received. Have been asked not to communicate British Government's views to you until official notes of the meeting are published in order to avoid possible misquotation. Dominions Office have handed us copy of despatch dated 12th January received from the Irish Free State referring to the manner in which figures for members of the British Commonwealth of Nations should be shown in Table of Annex to naval provisions of Disarmament Convention. Forwarding copy of despatch to you and also to the Secretary, Canadian delegation, *Europa*. Despatch too long to telegraph.

534.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 12 London, January 21, 1932

Your telegram No. 6 January 12th, Disarmament Conference. When inter-Departmental Report reaches this Office may we transmit copy to Dominions Office?

535.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 13 London, January 22, 1932

SECRET. My telegram 18th January, Secret, No. 11. Have received from Dominions Office Cabinet report setting forth views of British Government disarmament conference. Report comprises twenty-three printed pages, too long to telegraph. Dominions Office forwarding copies to you direct. Making arrangements to hand over our copies of secret report to Sir George Perley *Europa* Southampton.

536.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 18 Ottawa, January 26, 1932

Your telegram No. 12 of 21st January. Disarmament Conference. Interdepartmental report, which is very lengthy, was prepared as confidential information for members of delegation. Canadian position on all points will be communicated to other Commonwealth delegations at Geneva but consider inadvisable transmit copy to Dominions Office.

537.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.10 London, January 28, 1932

SECRET. With reference to my telegram Circular B.115, Secret, of the 14th November, naval negotiations. An unofficial reply has now been received from Massigli in which he raises a number of points with regard to compromise proposal. The general trend of the letter does not seem to indicate any immediate prospect of acceptance and it is contemplated that the matter will be the subject of further conversations next month at Geneva. Ends.

538.

Le secrétaire de la Délégation au sous-secrétaire d'État aux Affaires extérieures

Delegation Secretary to Under-Secretary of State for External Affairs

PERSONAL AND CONFIDENTIAL [Geneva,] February 15, 1932

Dear Dr. Skelton,

I am sending you herewith a copy of the remarks made by Sir George in the general debate last Saturday. It wasn't easy to know just what to say, but after considerable discussion within the delegation it was decided that something along the lines of the enclosed would be satisfactory if not particularly impressive. We have been congratulated by all and sundry in Geneva on the fact that it is the first Canadian deliverance for some years which has not mentioned one or all of "the hundred years", "the three thousand miles" or "the International Joint Commission". The shock was almost too much for Hambleton.

The general debate is hastening to a conclusion. Contrary to the expectations and, I gather, the hopes of those directing the Conference, it will not last nearly long enough to make possible an adjournment until after Easter and the elections. In fact I would not be surprised if it finishes this week. What will then happen nobody seems to know, though the bureau is meeting to-day to consider further procedure.

We had two or three meetings of the British Empire experts last week in which General McNaughton and myself advanced our arguments against budgetary limitation, and in which Hearne put forward the Irish proposal for a provision in the Convention to recognize the right of transfer within the Empire in respect to naval tonnage, naval expenditure and naval effectives. I stated, in respect to this matter, that our position re naval effectives and naval expenditure was that we desired separate limitation figures and that, in respect to naval tonnage, the suggestion outlined in Commodore Hose's memorandum seemed the most satisfactory (I then proceeded to outline that suggestion). Craigie, of the Foreign Office, then stated that the British Government were most anxious not to do anything that might make possible a reconsideration of the London and Washington Naval Treaties. They had information to the effect that the Japanese would take advantage of every move that altered those treaties to force a discussion of the general naval situation in such a way as to enable them to put forward their demand for an increased tonnage ratio. He suggested that, if at the present Conference the Empire proposed to split up its tonnage figure into various amounts, this might give the Japanese the very chance they were looking for. The Irish, as a result of this consideration, have agreed to forego for the present the demand for separate quotas, and it seemed impossible for us to do otherwise.

It appears that the solution now will be not to put any tonnage figures in the Draft Convention, but, wherever any signatory to the London Treaty appears in that Convention in respect to naval tonnage figures, to state opposite its name merely that its situation in this respect is governed by the previous treaty. That leaves the situation as it is, and does not either strengthen or weaken the case for or against separate quotas ultimately. In fact there seemed to be general agreement that when the London Naval Treaty ends separate quotas would be desirable.

The reason the Irish wish a special provision re transfer is, according to Hearne, that they are most dissatisfied with the London Naval Treaty in this respect, where a single total is named and where such transfer is taken for granted. They do not like this assumption of transfer as a domestic right and wish it to be specifically recognized in an international Convention as an exception to the ordinary state of affairs. I stated that I thought we were quite satisfied with the London Naval Treaty in this respect, and that I could not see the point of including a provision for transfer when only a single figure was involved for the Commonwealth. Any such provision must be meaningless, but if the Irish and British could agree on a clause we would probably not object. I stated also that I did not see any particular value in the extension of the right of transfer to effectives or expenditure at this time. The Irish, however, wish to have it for all three, not because they approve of the principle, but because they are afraid that, if it is not specifically referred to, it will be assumed to exist as a right not needing such specific mention. The British and the other Dominions are entirely in favour of the provision for transfer for quite different reasons, I gather, than the Irish, and we were without support in our attitude. I did not press the point strongly, however.

I shall be sending you as soon as they are completed the revised minutes of the meeting which deals with this constitutional point, which may explain the situation much more clearly than I have been able to do in this letter.

Everything is going well here, though we would like to have more definite information as to what may happen in the immediate future. Sir George and Mr. Dupré are both in good health and spirits.

Yours sincerely,

L. B. PEARSON

539.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 48 London, April 5, 1932

Following from Sir George Perley for Mr. Bennett. Begins. During the past two months many letters and cablegrams have come from organizations and individuals in Canada urging us to press for the abolition or control of private manufacture of arms. Several countries put forward this suggestion

before Conference. It seemed inadvisable for us to do that but we had it in mind to speak in support of idea when under discussion in Committee. While I would personally favour trying to do something in the way of control I think it only fair to say that communications received from Canada look as if they might be the result of organized agitation and we do not know whether question is of great interest to the general public in Canada. Without having studied question fully suppose actual manufacture comes under the Provincial authorities but if international treaty or convention were arranged and signed this should bring it under Dominion jurisdiction. Please have this point considered and advise me. Convention of 1925 regulating arms traffic was not ratified by Canada. Probably good reason for such decision with which I am not familiar. If some plan for control and licensing of private manufacture of arms is now proposed, would Government have any objection to our supporting it? Ends.

540.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 21 Ottawa, April 19, 1932

SECRET. Following for Sir George Perley. Begins. Reference your telegram from Office of the High Commissioner No. 48 of 5th April. Government is prepared to invite Parliament to approve ratification of Arms Traffic Convention of 1925, subject to same reservation as made by United Kingdom suspending its entry into force, as far as Canada is concerned, until principal arms manufacturing countries have completed ratifications.

Allied question of regulation of private manufacture of arms is under consideration by inter-departmental committee. For your information, I may say that there are, at present time, no private firms manufacturing arms in Canada. Nevertheless, it is not considered desirable that you should support proposals for abolition of private manufacture in view of considerations set forth in secret memorandum circulated by United Kingdom delegation at the Disarmament Conference. Canadian attitude regarding proposals for control of arms manufacture will depend upon character of specific plan put forward. Please keep us fully informed by cable of provisions of proposals for control receiving consideration. Ends.

541.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 47 Geneva, May 2, 1932

CONFIDENTIAL. For Prime Minister from Sir George Perley. Begins. Thanks for cable. Situation here puzzling and uncertain. I need not tell you that the

crucial problem is to find some formula of reconciling views of France and Germany. One demands security and the other equality. If it is possible to find any compromise to which they can both agree this certainly cannot be done in large public meetings. Private conversations to this end have been going on lately between British Prime Minister, United States Secretary of State, French Premier, German Chancellor and Italian Secretary for Foreign Affairs, which have been interrupted by French Elections and Premier's illness. British Prime Minister told us these talks had been such as to warrant his pursuing them further and that he intended to come here again about the middle of May for that purpose. This meeting has now been tentatively fixed for the 17th May, but I wonder whether under the French procedure for installing Government after an Election there will be anyone who can at that date speak with authority for France. I was greatly pleased to realize how much in earnest MacDonald is about this Conference and it is certainly hopeful sign when he plans to take time from his important work at home to come here again. If any agreement were reached in these private conversations then French and German proposals might be brought up and debated in General Commission. As those are definitely the most important questions on Conference Agenda we might be criticised in Canada if not here for such discussions. I have therefore decided we had better stay until then in the hope that these further private conversations will take place as arranged and produce some result. All the same I have not altered my guess as explained in my letter that nothing definite will be done in Conference before the summer holidays but I hope I am wrong. Several of those with experience regarding international meetings are of the opinion that no important decisions will be made before Lausanne Conference and that disarmament question will come up for discussion there along with all other international problems. Hope you received cable I sent you from London after my talk with The King at Windsor.[1] Congratulations and good wishes on new addition to family. Ends.

542.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 54 Geneva, May 26, 1932

CONFIDENTIAL. For the Prime Minister from Mr. Dupré. Begins. United Kingdom has taken the following stand in Naval Technical Commission on the various categories of armaments discussed:

1. Capital ships are not considered as offensive weapons or efficacious against national defence or menace to civilians, but as effective weapons

[1] Voir le document 23. [1] See Document 23.

of defence. They are therefore unable to agree to their abolition but willing to discuss possible reduction of tonnage and armaments.

2. Aircraft carriers considered as not being in themselves offensive weapons but character of aircraft carried can be classified as specifically offensive and menace to civilians, depending on type of machines and conclusions of Technical Air Commission as to offensiveness of various types.

3. Submarines: United Kingdom has taken strong stand in favour of complete abolition or, failing this, limitation to 250 tons.

4. Mines: United Kingdom considers question of mines in conjunction with that of submarines and if these latter survive, Conference must insist on retention of contact mines as a weapon of defence.

Situation may arise Friday requiring declaration of Canadian policy. Since United Kingdom's opinion appears to conform with instructions which I have in hand I propose, failing contrary instructions, to support United Kingdom if necessary. Delegation has so far taken no vocal part in debate. Ends.

543.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 26 Ottawa, May 27, 1932

IMMEDIATE. CONFIDENTIAL. Following for Mr. Dupré from Prime Minister. Begins. No objection to course proposed. It is hoped however that delegations of larger countries will be able to remove impression which now exists in public mind that their technical representatives have been blessing as wholly defensive the forms of armament which meet their special interests and classifying all others as offensive. Ends.

544.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 27 Ottawa, May 27, 1932

CONFIDENTIAL. Our telegram No. 26 this date. If it is considered necessary to make statement as well as to cast vote, it might be well to concentrate on opposition to submarines rather than to deal with the more complicated question of capital ships at present.

545.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM D.13 London, June 1, 1932

IMMEDIATE. MOST SECRET. Part 1. Following from the Acting Prime Minister for your Prime Minister. Begins. For some time His Majesty's Government in the United Kingdom have been preoccupied with the question of what is the best solution of difficult problem presented to Disarmament Conference by question of disarmament in the air. The United Kingdom representative, on February 22nd, at Geneva, formulated the proposal that Disarmament Conference should undertake "the practical examination of the whole problem of bombing from the air in its widest possible form". His Majesty's Government in the United Kingdom since then have reserved any expression of their views on the major issues involved as they desired to consider with an open mind the arguments in support of the various proposals made to the Disarmament Conference. However, they have declared their support of principle that Conference should pay special attention to those weapons which are most threatening to civilians. This was incorporated in the following Resolution adopted by the General Commission on the 22nd April:

> In seeking to apply the principle of qualitative disarmament..... the Conference is of the opinion that range of land, sea and air armaments should be examined by competent special Commissions with a view to selecting those weapons whose character is most specifically offensive or most efficacious against national defence or most threatening to civilians.

End of Part 1.

546.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM D.13 London, June 2, 1932

Part 2. His Majesty's Government in the United Kingdom, having regard to the immense importance of the Disarmament Conference making some definite step forward from the point of view both of general international situation and especially of the economic position in all countries, have had under consideration the desirability of putting forward some far reaching proposal of qualitative disarmament. It has been suggested that such a proposal would best take the form of complete abolition of all military and naval aviation. These measures of disarmament would be accompanied by conclusion of an International Convention to prohibit bombarding from the air in war, although we do not favour this course except as part of this

comprehensive plan of air disarmament. It seems clear that necessary concomitant of any such proposal would be some effective form of international control of civil aviation if such could be devised. Otherwise civil aircraft could be solely for use as military and naval machines on the outbreak of war, and in the absence of military and naval aircraft would dominate the situation. This is clearly an aspect of problem in which both the United Kingdom and the Dominions are particularly interested from the point of view of the development of air communications within the Commonwealth.

Powerful arguments can be advanced both for and against this proposal, and we are at present only engaged in considering the problem and have not reached any conclusions whatever. We feel that question is one of paramount importance to the members of the Commonwealth and we are anxious to obtain reaction of the Dominion Governments at the earliest possible moment. Clearly if such a proposal is to be put forward, now is the moment, and there is very little time to lose. Therefore, we think that the best plan would be to arrange for a special meeting in London with the Dominion representatives on Monday next, 6th June. We very much hope that you would be able to send a representative. In the meantime we should be very grateful for preliminary expression of your views both on the main problem and on particular aspect of it relating to international control of civil aviation.

Of course it will be appreciated that the utmost secrecy is essential at the present juncture, especially from the point of view of the morale of the Air Forces concerned. It is all-important that no hint of what is in our minds should become known either here or in foreign countries. Message ends.

547.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 75 Ottawa, June 3, 1932

IMMEDIATE. MOST SECRET. Following for your Acting Prime Minister. Begins. Air Disarmament. With reference to your telegram Circular D.13, Most Secret, of 2nd June, His Majesty's Government in Canada recognize that, with the Lausanne Conference approaching, the relation of which to disarmament is fully appreciated, it is especially desirable to do something to transform the somewhat ineffective discussions of the last four months at Geneva into definite achievement. We, therefore, heartily support in principle any effort toward this end. With regard to the particular proposal in your telegram, the total abolition of military and naval aviation, we see great merit in such an objective but it is not possible, without further details, for us to give a definite expression of opinion as to its practicability. As your telegram indicates, it is clear that such abolition must depend on some satisfactory solution of the problem of international control of civil aviation. It was ob-

vious in the discussions at Geneva that the French proposals for internationalization were not feasible; nor have we as yet been able to visualize a practicable solution which would be consistent with the view held by Canada in common with all the other members of the British Commonwealth and re-stated by Sir George Perley in his opening address at the Disarmament Conference that the League should not be developed as a super-state. However, if His Majesty's Government in the United Kingdom can devise a plan which is likely to secure general acceptance and which would meet the difficulties indicated, the Canadian Government will give the question the further and immediate consideration its importance deserves and will be prepared to support measures of disarmament in every field which are found feasible and effective. Our High Commissioner has been asked to attend the meeting on June 6th, and should be obliged if copies of your telegram and this reply could be furnished him immediately. Message ends.

548.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM D.15 London, June 9, 1932

IMPORTANT. MOST SECRET. My telegram Circular D.13 of the 1st June. Following upon exchange of views at meeting with the Dominion representatives on the 6th June, the Cabinet has considered suggestions mentioned in my telegram and has decided that these suggestions should now be mentioned informally and confidentially to the Governments of France and Italy. An opportunity for this may arise within the next few days at Paris, Geneva or Lausanne and result of discussions will be reported to the Cabinet for further consideration. Of course, we shall keep in close touch with Dominion representatives as to developments. Ends.

549.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 72 Geneva, June 22, 1932

From Mr. Dupré to Mr. Bennett. General Commission of Disarmament Conference heard this afternoon Wednesday new American proposals. Proposals welcomed heartily by the Soviet Union and Germany, unreservedly by Italy, with some reservation by the United Kingdom, France, Japan and Spain. British delegate considered proposals did not go far enough with regard

to submarines, size of capital ships, aviation. While not mentioning cruisers he stressed particular needs of certain countries. French delegate maintained that disarmament should be linked with the organization of security and objected to one uniform rule as being unjust especially to small States. Japanese delegate reserved judgment for the present but pointed out that any changes in Naval Treaty must be preceded by conversations among the parties thereto. Spanish delegate hoped that such questions as internationalization of civil aviation, budgetary limitation, etc. were not ruled out because they were not mentioned in American proposals. Debate closed for the moment. Private conversations are to continue. Ends.

550.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

Geneva, June 22, 1932

My dear Dr. Skelton,

The Air Commission, as you may know, has been considering the internationalisation of civil aviation during the last few days, and we decided that I should make a statement this morning. This I did, pointing out, as you will see from the enclosed copy of my remarks,[1] that the proposal embodied: first, the setting up of an official international enterprise for the control and administration of civil aviation throughout the world, and, secondly, the handing over of personnel and material to the League in case of war, and stressing that, if they were put into practice, they would constitute a most revolutionary step in international organisation. I made it clear that we fully understood that the proposal was made to meet a European political situation and European transport problems, and emphasised the fact that, as our situation was very different, this method of dealing with the problem was for us quite inapplicable. Further, I recalled that the handing over of this material to the League in time of emergency would make of the League a super-State.

As I was the first speaker this morning, I naturally thought it necessary to confine myself strictly to the technical problems involved in the internationalisation of civil aviation. M. Jouvenel of France, who spoke immediately after me, however, dealt with the general aspects of aviation, making some six proposals in all, copy of which I attach.[1] Before making them, however, he said he thoroughly appreciated the position of countries outside Europe and that, as I had stated, their plan was intended to meet the problems of Europe. He said that there were other parts of the world which it was not intended to include, suggesting that North America was one of them.

[1] Non reproduite. [1] Not printed.

He was followed by Lord Londonderry who did not altogether agree with either of us, although he stated that the French proposals should have the most careful consideration, that it was true that certain problems were not of the same interest to other parts of the world as they were to Europe, but that it was of importance to them also. Later, in a private conversation, he said that he was thinking of inter-continental transportation and said it would not be long before Canada would be within eight hours of England if the experiments being carried on were successful, as it now appeared they would be. He explained that, at an altitude of 35,000 feet, the aeroplanes would meet with very little resistance and very high speed would be attained.

Mr. Dulles, the United States delegate, who spoke after Lord Londonderry, said that he fully approved my statement as I had covered the ground he had intended to cover, and that he was very glad to hear that the representative of France had stated that there were parts of the world which it was not intended to include, and had cited North America.

At the request of the German delegation, it has been decided that an opportunity will be given for the delegations to express their opinions on the French proposals in a general way before returning again to the question of the internationalisation of civil aviation.

From our standpoint, I think it was a very satisfactory morning, for we succeeded in getting France, which largely represents the attitude of the other European Powers, to state that it was not considered that North America should be included in the scheme for the internationalisation of civil aviation. It was also interesting to know definitely that the United States of America was opposed to any internationalisation scheme for the North American continent, and that they fully concurred in our views in this regard.

Yours sincerely,

W. A. RIDDELL

551.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM D.16 London, June 28, 1932

IMMEDIATE. SECRET. We have had under our consideration question of declaring our attitude towards Hoover proposals and from this point of view have been examining very carefully whether time has not come when it is desirable for us to set out publicly our idea of a complete and practical scheme of disarmament. We should, of course, make it plain should it be decided to make such a declaration that our proposals, like those of President Hoover, are put forward not with a view to isolating action but with a view to general agreement.

The text of declaration which it is proposed to issue if as a result of further consideration it is decided to make a public statement at the present time is contained in my immediately following telegram. Secretary of State for Foreign Affairs is on his way back to Geneva and will discuss the various points covered by proposed statement with representatives of the other members of the Commonwealth before making public statement if it is decided to make one. Message ends.

552.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 73 Geneva, June 28, 1932

CONFIDENTIAL. Following from Mr. Dupré to your Prime Minister. Begins. Should appreciate knowing Canada's attitude towards Hoover proposal. May be called upon to express opinion tomorrow, Wednesday, meeting of Commonwealth and later before General Commission of the Conference. Consider through instructions in hand I shall have your approval in supporting limitation of land effectives to maximum police components, abolition of all mobile guns and chemical warfare but would appreciate your views regarding United States proposals as to tanks, bombing planes and naval forces as these latter proposals may present difficulties to the United Kingdom.

553.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 39 Ottawa, June 30, 1932

CONFIDENTIAL. Your telegram No. 73 of 28th June. Following for Mr. Dupré from Prime Minister. Begins. Canadian Government share the view that definite and substantial advances towards disarmament must be made now if the movement is not to be retarded and if a favourable atmosphere is to be created for dealing with outstanding economic issues. We consider the Hoover proposals in general will advance this end, but do not think at present advisable to discuss details. You will have been advised of the declaration which the British Government is contemplating making and which has been communicated to us. We consider British proposals embody a comprehensive and practical programme and in some respects more amply safeguard the special interests of the British Commonwealth. We have advised London accordingly.

The United States view however shows distinct approximation towards the British position and we assume undue emphasis will not be made in the initial discussion on the divergences which still exist as regards capital ships, cruisers and tanks. After British proposals have been made, I suggest you should telegraph me further indicating the attitude of the chief delegations towards them. I assume you will not be called upon to make any statement in the General Commission before communicating further. R. B. Bennett. Ends.

554.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 96 Ottawa, June 30, 1932

IMMEDIATE. SECRET. With reference to your telegrams of the 28th June, Circular D.16 and D.17, regarding disarmament declaration, the Canadian Government desires to extend to His Majesty's Government in the United Kingdom its warm congratulations upon the broad and comprehensive plan for disarmament set forth in the telegrams referred to above. The view of the Canadian Government is that if no definite and substantial advances toward disarmament are made now the whole movement will be retarded and the public bitterly disappointed, rendering it difficult, if not impossible, to deal successfully with the settlement of war debts, reparations and other economic issues. While we have not yet had an opportunity of studying the proposals in detail, we have no exception to make. We shall give the question further consideration during the discussion which follows at Geneva and may make some suggestion as to the details later. Message ends.

555.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 78 Geneva, July 6, 1932

MOST IMMEDIATE. SECRET AND CONFIDENTIAL. Following from Mr. Dupré to the Prime Minister. Begins. Bureau of Disarmament Conference has decided to summon General Commission tomorrow afternoon, Thursday, to enable those delegations which have not already done so to express their feelings with regard to the Hoover proposals. Also decided, on the motion of Sir John Simon, to have immediately after this debate a closing Resolution discussed and adopted by the Conference. Preparation of Resolution entrusted

to Sir John Simon who would consult Bureau and delegations. In Sir John's opinion this Resolution should in the first place express Conference's sympathy with Hoover proposals. The Resolution should further set forth the points in regard to which an agreement of principle had been realized.

In these circumstances and as Mr. Baldwin is going to make a statement tomorrow, Thursday, in the House of Commons on the lines already suggested in British proposals and approving generally the Hoover plans, and having regard to the fact that American delegation is anxious to know Canadian point of view, I propose, unless I hear to the contrary, to make a declaration sympath[etic] towards Hoover proposals tomorrow afternoon, Thursday, on the following lines:

(*a*) Support in principle proposals because they indicate at last by figures the "Minimum" in armaments referred to in Article 8 of the Covenant;

(*b*) Such proposals, suggesting a reduction in military budgets, which if carried out create a favourable atmosphere for dealing with outstanding economic issues, ought to be received with enthusiasm;

(*c*) The proposals show desire of a great Power, our neighbour, to have the Conference come to concrete results;

(*d*) While approving generally the proposals we understand that they will not prevent consideration of special cases;

(*e*) Attention called to the fact that proposals do not mention conscription, abolition of which is desirable.

For your information I should like very much to take this unique opportunity of presenting very briefly the Canadian view on this matter of conscription. Ends.

556.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 88 Geneva, July 21, 1932

CONFIDENTIAL. Following from Mr. Dupré to the Prime Minister. Begins. Unless I receive instructions to the contrary I intend to vote for M. Benes Resolution and in a brief statement to explain my vote. As the British Commonwealth delegations have taken active part in drafting of M. Benes Resolution they are obviously in my mind committed to support it. In my statement I shall explain that while I should have liked to see Resolution go further and be more definite I fully realize that it constitutes the greatest measure of agreement possible at this stage considering all the extreme difficulties which had to be met. Ends.

557.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissariat de Grande-Bretagne

Under-Secretary of State for External Affairs to Office of British High Commissioner

Ottawa, August 23, 1932

Dear Mr. LeRougetel,

In connection with your letter of July 15th concerning the possibility of consultation between British and Dominion representatives in London during the adjournment of the Disarmament Conference, I may state that Colonel Vanier, Secretary, Office of the High Commissioner, London, would be available for such informal consultation. It is understood that this consultation would be in respect to details and technical questions only.

Yours sincerely,

O. D. SKELTON

558.

Le secrétaire d'État aux Affaires extérieures au président de la Conférence du désarmement

Secretary of State for External Affairs to President of Disarmament Conference

Ottawa, August 26, 1932

Sir,

In reply to C.L.110.1932.IX on the subject of the resolution adopted by the Disarmament Conference concerning the renewal for a period of four months from November 1st, 1932, of the Armaments Truce provided for by the resolution of the Assembly of the League of Nations of September 29th, 1931, I have the honour to state that His Majesty's Government in Canada is prepared, in accordance with this resolution, to agree to the renewal of this truce for a period of four months as from November 1st, 1932.

I have etc.

W. H. WALKER
for Secretary of State
for External Affairs

559.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.136 London, November 19, 1932

IMPORTANT. SECRET. Bureau of the Disarmament Conference has been discussing methods of enforcing prohibition of the use of chemical warfare, and two points have arisen on which the United Kingdom delegate has been compelled to put in reservations against views taken by other members of the Bureau. These points concern: (1) Retaliation and (2) Sanctions.

(1) Retaliation. All members of the Bureau except United Kingdom delegate have been in favour of laying down rule that a State against which chemical weapons have been employed shall in no case retaliate by the use of the same weapons. It is argued that to permit retaliation would be to weaken prohibition by making it no longer absolute and by giving States a legitimate excuse for continuing to make preparations for chemical warfare.

(2) Sanctions. Text on which the Bureau has been working is as follows:

> 1. It will be the duty of third States individually to take coercive measures to be determined in accordance with circumstances and in particular with situation in which each State is placed in regard to belligerents to induce the State which has used chemicals etc. arms to abandon the use of such arms or to prevent it from continuing such use.
>
> 2. Consultation of third States through the medium of the Disarmament Commission will take place in shortest period to determine measures to be taken in common and to decide on collective sanctions of all kinds to be applied. Such decisions will be taken by Disarmament Commission by a majority (to be specified by the Conference) of its members; the minority will not be bound by such decisions but will undertake not to obstruct action contemplated.
>
> 3. Third States belonging to a particular region may moreover pledge themselves to undertake urgent common action of a rigorous and effective nature against a guilty State and to constitute for this purpose a collective force of police in advance.

Bureau appears to have unanimously accepted the text subject to reservation of United Kingdom delegation, except as regards point 3 which has been objected to by Italian delegation. Provision in paragraph 2 whereby a minority cannot be bound by decision of majority of Commission to apply collective sanctions was no doubt designed to make proposal more palatable to the United Kingdom, though in fact it has disadvantages of,

(a) that it might be extremely difficult to cast a vote against the use of collective sanctions in a flagrant case and,

(b) that fact that minority is not bound very much detracts from utility and effectiveness of sanctions.

The general view of His Majesty's Government in the United Kingdom is that it would not be possible to agree to forego in all the circumstances use

of right of retaliation if poison gases were used against this country or to entrust lives of British subjects to vague and distant sanctions such as those which apparently are contemplated.

It is appreciated at the same time that it would be very embarrassing if the United Kingdom representative on the Bureau were placed in the position of being sole opponent of proposals which (however impracticable) were supported by all the other members of the Bureau.

Matter is one of concern to all members of the British Commonwealth and His Majesty's Government in the United Kingdom would appreciate a very early expression of the views of His Majesty's Governments in the Dominions on the questions involved. Message ends.

560.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 172 Ottawa, December 3, 1932

IMMEDIATE. MOST SECRET. With reference to your telegrams Circular B.131, 132 and 133 regarding disarmament, we concur in the view of His Majesty's Government in the United Kingdom that it will be essential to accord in some manner recognition of the principle of equality as regards German armaments and that the most promising method of giving effect to this recognition would be by including the necessary limitations on Germany's armament in the same Disarmament Convention as that which will define limitations on armaments of others. In applying this principle so as to avoid on the one hand making the recognition of Germany's claim explicitly conditional upon the conclusion of a satisfactory Disarmament Convention since any failure in reaching this end may be due to attitude of countries other than Germany, and to avoid on the other hand a *de facto* recognition of Germany's right to rearm by its own unilateral decision, there will obviously be serious difficulties. This situation, together with the war debt and general economic position, make the early conclusion of a convention for substantial and effective reduction of armaments more vital and imperative than ever before. Therefore, we have been glad to note the initiative taken by His Majesty's Government in the United Kingdom in proposing further substantial reductions. In regard to some of the specific proposals put forward, however, we are of the opinion that though their general acceptance would result in substantial reductions, and as such could be heartily supported, it is not clear how far they afford a practicable basis of agreement. Some of the proposals now made are analogous to those put forward at the first session of the Disarmament Conference which could not then gain acceptance. It is difficult, in the absence of any definite information as to the situation having changed since July as the result of private conversations, to see what greater chance

of such acceptance exists now. Regarding proposals for the internationalization of civil aviation, we desire to recall the position taken by the Canadian Delegation at the Disarmament Conference on this subject. Message ends.

561.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 173 Ottawa, December 6, 1932

SECRET. Your telegram Circular B.136 of the 19th November, relative to consideration by the Bureau of the Disarmament Conference of proposals for the prohibition of chemical warfare. We cannot put too strongly our acceptance of the principle of absolute prohibition of chemical warfare. Question at issue appears to be whether it is necessary to meet the difficulties arising out of prohibition of this particular weapon (1) by authorizing reprisals by the injured state or (2) by providing for collective sanctions on behalf of the injured state.

In regard to (1) it must be recognized that if reprisal is permitted, as it is under the reservations to the Gas Protocol of 1925, and further if use of chemical warfare is permitted against states which do not ratify the Disarmament Convention, we may expect that all states of importance will feel that considerations of defence justify preparation of chemical weapons for use in such contingencies. It would not be difficult to conceive of a situation in which the availability of these weapons might lead to their use in quite different circumstances from those contemplated in the reservation. We recognize, on the other hand, the practical difficulty of abstaining from retaliation if the use of the forbidden weapon threatens the collapse of the state so attacked, and further we recognize the impracticability of preventing at least that measure of preparation which must exist in the development of commercial chemical industry in every industrial state. M. Pilotti's argument in his Report to the Bureau (Conf. D.142 of 25th October, 1932, p. 8, sect. II p. 2) seems to have much force on this point. Assuming then the continued possibility of preparation for chemical warfare, and the force of the argument for retaliation if it is clearly established that the enemy state has used such weapons, it would appear desirable to explore the question of permitting retaliation provided that the Supervisory Committee or some other agreed body had established the prior use by the other state. It might be possible in this way to create an effective deterrent to the employment of chemical warfare otherwise than in authorized reprisal.

In regard to (2) provision for sanctions in the form of collective action by other powers against the state using this forbidden weapon, it is difficult to see how any such proposal could be accepted independently of a decision as to sanctions against a state considered to have been the aggressor in making war

in the first place. While prepared to give careful consideration to further proposals for sanctions against such an aggressor, the Canadian Government considers it highly undesirable that a decision on the principle involved should be reached in this indirect fashion. However, assuming that a system of automatic sanctions against an aggressor state were adopted, it would be difficult to reconcile its working with the application of the secondary sanctions now proposed with regard to certain of the weapons used in the war. It might well be that the state first using chemical weapons was not the state held responsible for beginning the war. The Government of Canada finds itself in some difficulty in considering this particular phase of sanctions and of the prohibition of certain weapons apart from the general proposals for reduction of armaments which are now before the Bureau. Message ends.

562.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 140 London, December 10, 1932

SECRET. We are much obliged for your telegram No. 173 with regard to the prohibition of Chemical Warfare and for full statement of the views of His Majesty's Government in Canada which we observe coincide with our own in many respects.

In regard to retaliation we have already given consideration to a suggestion not unlike that mentioned in your telegram, namely, that a State against which toxic gases had been used should not have the right to retaliate immediately but should have the right to retaliate if after a fixed time limit the cessation of the use of gas had not been obtained by the machinery of the League of Nations. As at present advised, we see certain dangers and difficulties as regards fixing both of time limit and of moment from which it should operate. If time limit were too long it might enable a country using gas to obtain decisive advantages before retaliation could be employed and if it were too short the League might not have time to establish facts much less to arrange sanctions by which its demands for cessation of offence was to be enforced. In regard to fixing of moment from which time limit would operate, if it were fixed from the moment of offence or even from the moment of appeal being lodged at Geneva, the time might be too short for the League to conduct its investigations and arrive at decision.

The time might be too late if it were fixed from the moment of the League's decision as to the validity of the appeal.

In regard to sanctions, we are in general agreement with the views of His Majesty's Government in Canada and we have been led to conclusion that one really effective and rapidly working sanction against use of gas would be the right of retaliation.

Generally our feeling is that to forego instruments of retaliation might well be to afford such a temptation as it were to an aggressor as to render danger of war substantially greater. A further argument against retaliation in case of gas would appear to apply equally in case of other prohibited weapons or methods of warfare, e.g. aerial bombardment, if agreement is reached as to its prohibition. The argument could indeed be applied to war itself, but everyone is agreed war in self-defence is right and justifiable. Our feeling, in the circumstances, is that in any discussion by the Bureau there would be no alternative for us but to maintain the attitude described in my telegram of the 19th November, No. 136. Message ends.

563.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 68 Geneva, February 15, 1933

The Political Committee yesterday decided to begin its work with items No. 1 and No. 2 in Section I of British draft which deal respectively with, (a) The Affirmation by European States that they will not resort to force, and (b) A European pact of mutual assistance.

I spoke briefly to support this procedure as I thought that it would give the United States delegation more time if they had any intention regarding a consultative pact. It also seemed advisable to see first what European States were prepared to do for themselves.

I pointed out that Canadian policy had favoured conciliation and arbitration rather than guarantees of military assistance, suggested synchronized study of disarmament and security should proceed in positive spirit. Delegations should reciprocally intimate what measures of disarmament they contemplated in the event of additional security being provided and vice versa. The list of proposals on security should be drawn up in order of their importance with a view to facilitating definite conclusions in respect of disarmament.

564.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 75 Geneva, February 17, 1933

I spoke in General Commission yesterday, Thursday, during discussion on British draft air proposals pointing out that the Canadian delegation would

support the Resolution on the understanding that any consideration of internationalization of civil aircraft would not apply to North America. The representative of the United States made a similar declaration.

565.

Le Conseilleur au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 76 Geneva, February 18, 1933

An Air Committee has been set up on which Canada has been given membership.

566.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 80 Geneva, February 21, 1933

At meeting of Air Committee yesterday, Monday, Lord Londonderry stated that his Government was prepared to accept universal abolition of military and naval aircraft and of air bombing, except for police purposes, provided such control would prevent civil aviation being used for military purposes in the event of an outbreak of hostilities and that it would not prevent or hamper the fullest development of aviation nor restrict freedom in the field of experiment and research. I should appreciate knowing position of the Canadian Government with regard to above statement.

The German proposal to consider abolition of military, naval and bombing aircraft before dealing with measures of control for civil aviation was defeated. As it is now clearly understood that control of civil aviation does not apply to North America I voted against this proposal. It seems highly probable now that Committee will proceed to discussion of various plans for internationalization.

567.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 11 Ottawa, February 22, 1933

CONFIDENTIAL. Your telegram No. 80 of 21st February. Your attitude should be that Canadian position in respect of air forces is predicated on the

desire that no illusory restrictions on military aviation should operate to prevent full use of aviation necessary in development of Canada. Doubt that provisos in Londonderry's statement can be reconciled with this but anxious to consider specific proposals as brought forward with view to real progress in limitation of armaments.

568.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.23 London, March 3, 1933

IMMEDIATE. We have been giving consideration to the present situation in Disarmament Conference and as a result statement to the following effect is being made in the House of Commons this afternoon, Friday. Begins. His Majesty's Government have had before them a full account from Mr. Eden, the Parliamentary Under-Secretary for Foreign Affairs, who has represented the United Kingdom at Geneva in recent weeks, of the present position at Disarmament Conference. Deeply impressed with necessity of giving all possible assistance to enable the Conference to reach early and comprehensive decisions, the Cabinet have requested the Prime Minister and Foreign Secretary, as heads of the United Kingdom delegation, to go out to Geneva as soon as can conveniently be arranged, and they intend to do so. Meanwhile Mr. Eden will return to Geneva to resume leadership of United Kingdom delegation pending their arrival.[1] Ends.

569.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 99 Geneva, March 6, 1933

The Committee on Private and State manufacture was unable to reach agreement on two following questions which it has referred to General Commission for decision: (i) Shall the private manufacture of arms be suppressed? (ii) Shall the manufacture of arms be internationalized?

I should appreciate instructions as to how I should vote.

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[1] Pour la réaction du Canada à cette décision, voir le document 354.

[1] For the Canadian reaction to this decision, see Document 354.

570.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 15 Ottawa, March 8, 1933

CONFIDENTIAL. Your telegram No. 99 of 6th March—private manufacture of arms. Question (i)—Vote yes, and make statement that in order to remove one of the dangerous factors in international relations, namely private profit in the Arms Trade, it is the conviction of the Government of Canada that eventually the manufacture of arms should be restricted to State owned establishments. At the same time, it is fully realized that it will be necessary to accept a certain delay in the application of this principle in order that States presently depending on private manufacture may adjust their arrangements to the changed régime. Question (ii)—Vote no, and state that the Government of Canada regard this proposal as wholly impracticable.

571.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 104 Geneva, March 11, 1933

CONFIDENTIAL. Mr. Ferguson and Dr. Skelton arrived this morning.[1] Many here feel that Ramsay MacDonald's visit is a little premature, owing to tense situation existing between Germans on the one side and French and Poles on the other. It also seems unlikely, at least for the present, that either the Prime Minister of France or a German Cabinet Minister will come to Geneva. The United States have not yet sent their reply regarding cooperation with Advisory Committee on Sino-Japanese dispute.

It is just possible, however, that very gravity of situation may make negotiations less difficult.

572.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 107 Geneva, March 16, 1933

IMMEDIATE. CONFIDENTIAL. Since the arrival of MacDonald and Simon consultations with Great Powers and Disarmament Conference Officers have

[1] Voir le document 355. [1] See Document 355.

been proceeding without intermission. The discussions have reflected tension and alarm created throughout Europe by the recent developments in Germany and immediate question has become the preservation of peace rather than progress in disarmament. No definite agreement has yet emerged but outlook is more promising. Two Commonwealth Delegation meetings have been held in addition to briefer individual discussions. MacDonald's plan is twofold. First, to meet political tension by securing understanding between the four chief European Powers, initial step being visit to Rome to ensure pressure upon Germany to adopt moderate policy and to effect Franco-Italian reconciliation. Second, to secure from Disarmament Conference speedy adoption of a compromise convention. In address to the General Commission this afternoon Thursday he will submit a draft convention for five year period bringing together proposals in each field which it is considered have received or are likely to receive general approval: reduction of military effectives on Hoover method, acceptance of French plan of short term service, limitation of size of tanks and guns, retention of Three Power Naval Treaty with the adhesion of France and Italy; as regards air forces, prohibition of bombing and instruction to Disarmament Commission to enquire into possibility of control of civil aviation.

British Delegation emphasize that plan is draft to assist Conference reach definite conclusions without further delay and is not another British plan. It does not, however, appear to differ essentially from British plans already presented, except in dropping proposal to suppress military aircraft if satisfactory scheme of internationalization of civil aviation could be devised, and in new readiness to accept supervision of armaments or at least enquiry by Disarmament Commission into complaints of infringements of agreement. To meet security demands a pact of consultation between all signatories of Disarmament Convention including certain features of Stimson plan to supplement Briand-Kellogg Pact is proposed, with the proviso that any action to be adopted after such consultation shall require the consent of all the Great Powers and the majority of the others to be binding. The latter proposal raises old difficulty as to whether any country outside the Great Powers can bind itself in advance to take action on decision of a majority in which it may not be represented, and also difficulty as to relations between pact decisions and sanctions of Covenant; in practice likelihood that Canada for example being opposed to any action endorsed by Britain and United States and all other Great Powers may be regarded as negligible but position may require consideration if plan becomes definite. Whole project is subject to last moment revision following discussions today. Details will be given the press following Session this afternoon Thursday. Question of more or less lengthy adjournment to permit consideration of British suggestions still undecided. It is hoped to secure conclusion of Convention by June. Ferguson returning to London today, Skelton Saturday, London Committee not meeting this week.

573.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 113 Geneva, March 20, 1933

IMMEDIATE. CONFIDENTIAL. My telegram of the 17th March, No. 110. In consultation with the United States delegation a draft statement has been drawn up for presentation to Air Committee. The statement calls attention to the different conditions prevailing in non-European countries where it is considered that internationalization of civil aviation or international control and supervision of civil aviation has little or no bearing on question of limitation and reduction of air armaments. The non-European delegations are nevertheless desirous of contributing to work of Conference and of allaying whatever apprehension may exist in the minds of other nations in regard to their civil aviation. In consequence they are willing, in the event of acceptance of measure of internationalization of civil aviation or of comprehensive supervision and control of civil aviation by European nations as among said nations, to apply to themselves the following measures of national control, in the hope and confident belief that these measures will allay any misgivings which might arise among European States as to the possibilities (inherent in?) future development of civil aviation in countries outside European Continent.

1. The prohibition of the incorporation of military features in any civil or commercial airplane which is either registered or constructed in, or under, their jurisdiction. This refers specifically to the installation of bomb racks or provisions therefor; the installation of means of mounting, or provisions therefor; the installation of bomb-sights, or provisions therefor; etc.

2. Full publicity as to characteristics of all civil or commercial airplanes which are registered or constructed in, or under, their jurisdiction.

3. A system of licences for export of all military, civil or commercial airplanes constructed in, or under, their jurisdiction with full publicity as to character and destination of such planes.

4. Reports from time to time, as may be agreed upon, with respect to action under points 2 and 3, to Permanent Disarmament Commission.

574.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 116 Geneva, March 23, 1933

As none of the Great Powers was willing to take responsibility for proposing adjournment of Conference, General Commission to-day Thursday

decided to proceed to discussion of British draft Convention to-morrow afternoon Friday. It would seem desirable that we should state in general way our views on Convention, and I should therefore appreciate receiving any instructions which you may care to send.

575.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 19 Ottawa, March 23, 1933

Your telegram No. 116 of 23rd March. You should support British draft Convention as a comprehensive and connected basis for definite decisions by General Commission at juncture when all delegations are wearied of detailed sub-committee debates and when whole world is watching progress of the Conference as barometer of international relations. Immediate and tangible achievement of agreement on main lines of United Kingdom proposal would do much to restore confidence in prospects of peace and prepare way for early convocation of Economic Conference.

In so far as United Kingdom proposals refer to Europe alone, you can only express the hope that they will commend themselves to the Continental powers; in so far they are of universal application the Canadian Government is ready to do its part in translating them into practice at once.

For your private information and guidance in Commonwealth conversations, I might add that Government is doubtful of value of creating further consultative agencies as adumbrated in MacDonald's speech on ground (1) that resulting diffusion of effort and responsibility might weaken efficacy of existing undertakings, (2) that United States cooperation with the League which has been increasingly close and satisfactory is likely to continue unchanged under present administration.

576.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 119 Geneva, March 27, 1933

Before adjourning this evening, Monday, until the 25th April, General Commission decided to adopt draft convention of the United Kingdom as basis of subsequent discussion, to be examined Article by Article. 20th April was fixed as the latest date for receiving amendments to Part 1 dealing with security.

577.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 130 Geneva, April 29, 1933

During discussions of Part 2 yesterday afternoon Friday, Norman Davis supported British draft convention. The German delegate caused anxiety by his amendments to Articles 9 and 12 and Table I, and by proposing deletion of Chapter 2 and reference of question of standardization to Permanent Disarmament Commission for a further study. The French delegate stated that if the German position was maintained he could not see how a Convention could be reached. The British and United States delegates appealed to the goodwill of Germany. The tension was later relieved by a second statement by the German delegate that Germany was disposed to sign an agreement on a reasonable and fair basis. It was finally decided that conversations should take place over the week end to try to reconcile conflicting points of view.

578.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 134 Geneva, May 3, 1933

General Commission this afternoon Wednesday continued discussions on Part 2 of draft convention.

Compromise text proposed by the British delegate, in agreement with the German delegate, providing for exemption of certain proportion of military police from calculation of effectives as provided in Article 12, if accepted, would exempt Canadian Mounted Police from enumeration as effectives.

German amendment deleting Chapter 2 and referring matter to Permanent Disarmament Commission for further study was strongly opposed by Great Britain, France, Belgium and the United States. The amendment maintained and adjourned.

The Canadian delegation took strong exception, together with the United States delegation, to Soviet amendment of Article 16 which implied acceptance of conscription by extra-European countries. I made it clear that while having no objection to standardisation of European armies Canada was favourable to a short term of service universally applicable. The amendment was postponed until the second reading.

It is expected that British delegation will submit tomorrow Thursday text of Article under Chapter 3.

579.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 23 Ottawa, May 4, 1933

Your telegram No. 134, May 3, Disarmament Conference. Canadian press gave considerable attention to your statement on conscription, reporting that you told Conference that Canadian people "would not stand for conscription". Your telegram states you "made it clear that Canada was favourable to a short term of service universally applicable". Somewhat perplexed by this, and should like fuller report of your statement, particularly as to bearing on main point at issue between France and Germany.

580.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 136 Geneva, May 5, 1933

Your telegram of the 4th May, No. 23. I see that use of words "service universally applicable" in my telegram has given quite a misleading impression of what I actually said in Commission; in using these words in telegram I had no thought of conscription, but meant that I had made it clear that Canada was favourable to universal shortening of term of training.

The Soviet amendment was intended, in the event of standardisation of armies on a short term basis being accepted for Europe, to extend this principle to extra-European countries. This would imply application of conscription to the whole world, and the fixing of a maximum period of eight months training. As we had never approved principle of conscription, and had only accepted its inclusion in a Disarmament Convention in order to arrive at some measure of agreement, I felt compelled to oppose an amendment which would apply conscription to Canada. On the other hand, we had just as consistently advocated shortening of period of training, by fixing of a maximum period, as a means of reducing offensive power of effectives, and I also thought I should support this principle.

The following is summary of my statement. Begins. If purpose of standardisation of Continental European armies as contemplated in Article 16 is to render them more comparable and limit their striking force it should be heartily supported. We are convinced that short term basis could allow training of men for defensive purposes and Canadian delegation has constantly supported this idea. But we could not accept Soviet proposals whereby, in order

to standardise armies of all nations in time of peace, conscription would be imposed upon us. The traditions, environment and practice of the Canadian people are opposed to such a system. Ends.

It will be seen that Soviet amendment had no direct bearing on points at issue between France and Germany in this connection.

581.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 509 Washington, May 17, 1933

Sir,

I have the honour to inform you that late yesterday afternoon the Undersecretary of State handed to me, under cover of an informal letter, a copy of the message sent by President Roosevelt to all heads of States yesterday morning. I enclose a copy of Mr. Phillips' letter and of the President's message.[1]

2. Mr. Phillips explained that the message had been addressed to the King as monarch of the entire British Commonwealth. The Government of the United States was most anxious to secure the co-operation of Canada in the measures proposed in the message. I believe that their expectation is that receipt of the message will be formally acknowledged by heads of States and that any discussion concerning its contents will be conducted through the usual diplomatic channels.

3. I shall postpone for the present any comment on the terms of the President's unusual and important proposals, except to say that they have been very favourably received up to the present, both in Congress and by the press.

I have etc.

H. H. WRONG
for the Minister

582.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, May 25, 1933

With reference to message which the President of the United States addressed on the 16th May to the Heads of all States participating in the Conference for the Limitation and Reduction of Armaments and the forthcoming

[1] Non reproduites. [1] Not printed.

Monetary and Economic Conference and which His Majesty duly transmitted to his Government in Canada through the Governor General, I request you to present the following reply to Mr. Secretary Hull. Begins. His Majesty's Government in Canada have read with pleasure the message which the President of the United States addressed on the 16th May to the Heads of States participating in the Conference for the Limitation and Reduction of Armaments and in the forthcoming Monetary and Economic Conference. They desire to express their cordial sympathy with the proposals therein put forward and their determination to do everything within their power that may contribute to the successful achievement of both Conferences. Ends.

583.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 29 Ottawa, May 31, 1933

Our telegram No. 15, March 8, Private Manufacture of Arms. Has any statement been yet made by Canadian representative against private manufacture along lines of above telegram. If so, was it in public or private session of Conference.

584.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 175 Geneva, June 1, 1933

IMMEDIATE. Your telegram 31st May, No. 29, private manufacture of arms. No opportunity was offered for making statement. Question was referred to General Commission 2nd March but it was only this morning Thursday that it was proposed to put it on its Agenda together with budgetary limitation. Both questions probably be discussed tomorrow. Do you wish us to take this opportunity of making formal declaration based on your telegram of the 8th March, No. 15?

585.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 31 Ottawa, June 1, 1933

SECRET. Your telegram June 1st No. 175. Private Manufacture of Arms. Make statement based on our telegram March 8th when suitable opportunity arises. Please advise if General Commission adjourned.

586.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 182 Geneva, June 7, 1933

General Commission this morning, Wednesday, concluded its discussion of Report of Committee for the Regulation of the Trade In and Private and State Manufacture of Arms. The Commission decided that the President should prepare draft articles on this subject, based on a system of strict regulation, for discussion at second reading.

I made a statement based on your telegram of the 8th March, No. 15, and further urged that preparation of regulations dealing with private manufacture of arms before manufacture is restricted to State-owned establishments should be proceeded with at once. I referred to certain principles in 1931 Narcotics Convention which might usefully be studied for this purpose, and suggested that any regulations should apply equally to State and private manufacture.

587.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 208 Geneva, October 2, 1933

CONFIDENTIAL. Conversations on disarmament have continued between the Great Powers all last week. I understand that at present there are two outstanding difficulties. The French want guarantees regarding intervention in Germany should she re-arm contrary to proposed Convention, and Germany insists on being allowed to have samples of all those armaments which the other Powers would be permitted to retain under Convention.

It is felt that the French demand for a guarantee might be satisfied if sections in British draft convention were to be amended so as to provide for the calling of a Consultative Conference in the case of a violation of Disarmament Convention as is now provided for in the case of a violation of the Pact of Paris.

Whether or not Germany will maintain her demand is likely to be known here Tuesday or Wednesday.

In view of probable importance of forthcoming sessions of Disarmament Conference, I should appreciate having Dr. Manion remain over for at least first week or ten days.

588.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 216 Geneva, October 10, 1933

CONFIDENTIAL. Bureau met yesterday afternoon Monday, received a statement from Henderson summarising result of his recent negotiations. It was agreed that the United Kingdom should be able to introduce amendment to its draft convention. Bureau then adjourned till Saturday to give further time for negotiations. Sir John Simon is expected to arrive Wednesday. United Kingdom and United States are in full agreement and are trying to secure united front, with the aid of France and Italy. Attitude of Italy a little uncertain. I understand that Germany's position to be based on recognition of equality as set forth in Declaration of the 11th December. She favours Five-Year Convention but has no objection if total period is subdivided. She will not, however, accept period probationary as demanded by French. Equality must be applied in the first period. She is prepared to begin transformation of Reichswehr immediately but cannot specify what equipment her new army would require until she knows what arms are to be abolished. Germany would agree to any general prohibition or renounce claim to any arms which States agree to destroy or forbid internationally during the course of Convention. As regards arms numerically limited, Germany demands such arms during the first period, amount being subject to discussion. Germany would not consent to any limitation of arms not prohibited or numerically limited in Convention.

I understand that French consider German terms impossible. Henderson proposes to call General Commission on the 16th October irrespective of stage negotiations may have reached. Please advise Manion's Office he intends to sail 3rd November.

589.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 222 Geneva, October 18, 1933

CONFIDENTIAL. As a result of the withdrawal of Germany from the Disarmament Conference there is much speculation as to whether General Commission at its next meeting will proceed to the completion of Disarmament Convention or adjourn. I understand that in Four Power discussion here over the week end, while French delegation were ostensibly pressing for continuing Conference, they wanted time to weigh very carefully advantages and disadvantages of such a course. The United States delegation urged that if Conference continued participating Great Powers must be prepared to reach

agreement on just and generous convention. The United Kingdom delegation while desiring a Convention feared results should Conference fail to reach agreement. The Italian delegation appeared to doubt possibility of reaching agreement on modified basis proposed by Sir John Simon. Italy is said to be putting forth every effort to bring about a meeting of the signatories of the Four Power Pact. It is thought that France's attitude towards such a consultation will depend largely upon that of the United Kingdom.

Following from Manion for the Department of Railways. Begins. Re letter No. 7, renewal satisfactory. Hope to sail 3rd November. Ends.

590.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 34 London, February 3, 1934

IMMEDIATE. SECRET. The Dominions Office advise us as follows. Begins. The Foreign Office have informed the Dominions Office that there will be full dress debate next Tuesday in the House of Commons on the United Kingdom memorandum on disarmament published on Friday last. The Foreign Office have suggested that it would be helpful if the Canadian Government could send message which the Secretary of State for Foreign Affairs could use in his general exposition of memorandum. Or and if Secretary of State for Foreign Affairs could quote favourable statement from representative of the Canadian Press, always supposing that the Government of Canada consider such action advisable. Ends.

Please telegraph to reach us Monday what reply should be returned to Dominions Office, also quote press statement the Secretary of State for Foreign Affairs might give out if you favour this course. I understand other Dominion Governments being approached similarly through High Commissioners.

591.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

PARAPHRASE OF TELEGRAM 26 Ottawa, February 4, 1934

IMMEDIATE. SECRET. Your telegram 3rd February, No. 34. As careful consideration as time permitted has been given to Foreign Office suggestions of message from the Canadian Government to be used by Sir John Simon

in exposition of his recent disarmament proposals, and we have concluded that course suggested would establish precedent undesirable in view of character of original Disarmament Conference and circumstances under which it was convened.

2. The Government of Canada fully appreciates earnest efforts of the Foreign Secretary to find way out of present armament deadlock and while regretting small measure of disarmament considered feasible which will be balanced by rearmament both in other quarters and in other weapons, believe some such policy offers the most likely prospect of agreement. However, any definite expression of opinion on the proposal would require closer examination of merits of project in itself and likelihood of its acceptance as compromise solution by the European powers most directly concerned, than has been possible in the few days since it was brought to our attention.

3. It must be recalled that the Government of the United Kingdom reached decision on its present policy and communicated it to foreign powers without any prior consultation whatever with our Government, though we have been fully and courteously informed of decisions taken and notes despatched. We do not take objection to this course as we realise greater responsibilities of United Kingdom and difficulties of negotiation with European states in present tension, and we assume that resumption of discussions through the League of Nations will obviate further difficulties as to consultation. But in light of this fact we do not think it fitting role for Canada to be brought on Westminster stage after main performance ended to act as part of chorus chanting testimonials and unquestioning agreement.

4. The above for your information only. We think that you should merely inform the Dominions Office that while Canadian Government has learned with interest of the earnest efforts which the United Kingdom authorities have made to find basis of disarmament agreement, and hope for successful outcome, we consider it would be appropriate that any observations on our part should be made in the course of probable debate in our Parliament. An opportunity for discussion will probably arise then and any expression of approval of the United Kingdom action given here would have more weight in foreign countries.

5. For your confidential information. For use of members of parliament we are considering printing paper containing main disarmament proposals and possibly Foreign Secretary's speech this coming Tuesday.

6. With regard to press comments, it will be recalled that cabled summary of White Paper only appeared in Canadian press on Thursday and editorial comment only partially available because of continental distances. The general impression is that press comment in Canada of late months has reflected disillusionment and indifference to current disarmament discussions, though counter movements have been set in motion to revive and inform public interest. A survey of available press material is being made and result will be cabled tomorrow. Ends.

592.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 40 London, February 6, 1934

IMMEDIATE. SECRET. Your telegram February 4th, Secret, No. 26. The Dominions Office informs me that in view of replies received the Secretary of State for Foreign Affairs will make no mention of Dominions reactions. Any voluntary favourable comments in Dominions Parliaments will, of course, be much appreciated by the Government of the United Kingdom.

We have been asked to thank you for the trouble which you have taken in this matter.

593.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM Geneva, February 19, 1934

During visit to Continental Capitals understand that Eden will try to arrange for a conference of responsible Ministers of all the Great Powers and perhaps Spain, Poland and Little Entente to see whether sufficient agreement on disarmament could be obtained to warrant resumption of Disarmament Conference. Rome, Lausanne and London mentioned as place of meeting. Conference likely to adjourn if Eden's mission fails.

594.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM Geneva, March 17, 1934

The Secretary General told me this morning that while he was not in a position at present to go into details he was optimistic concerning disarmament and believed that Convention would be arrived at. Ends.

595.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

CONFIDENTIAL Geneva, March 28, 1934

My dear Dr. Skelton,

The French Note on the United Kingdom proposals does not seem to have advanced the disarmament situation much further. I was rather disappointed in it after the optimism expressed by M. Avenol in my recent conversation with him. I learned yesterday, however, that he had good reason for being optimistic, for at that time the French Cabinet were prepared to take quite a different attitude than that finally expressed in their Note. Apparently, three days after my interview with Avenol, the anti-disarmament group led by Barthou got control of the situation. The United Kingdom Government, however, still appear to have hopes of accomplishing something. Yesterday they asked the Secretariat to delay convoking the Bureau for 10th April in order to enable the Cabinet to decide whether or not a postponement would seem advisable. I have been informed that the Secretariat is likely to know their attitude late this afternoon.

I trust that the efforts of the United Kingdom Government will soon be rewarded by the French and Germans being brought together on some kind of a reasonable compromise. From what one can learn, the Germans now appear to want an agreement, and I cannot see that the French gain anything by continuing to quibble over Germany's legal obligation under the imposed Treaty of Versailles at a time when the world has practically conceded the moral right of Germany to re-arm in view of the default of the other signatories of the Treaty in carrying out Article 8 of Part I.

Yours sincerely,
W. A. RIDDELL

596.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM Geneva, April 11, 1934

I understand from Eden that his Government will consider very carefully giving European guarantee for execution of Disarmament Convention providing next French note contains substantial and definite disarmament proposals. The Dominions would not be involved. Guarantee would provide economic sanctions but might also involve military protection for country which because of applying economic sanctions was in danger of attack from

State violating Convention. Such guarantee could be entered into only if extra-European countries, especially the United States, guaranteed to maintain benevolent neutrality. Ends.

597.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

CONFIDENTIAL Geneva, May 19, 1934

My dear Dr. Skelton,

It would seem that, as the date of the meeting of the General Commission approaches, its importance looms larger. In fact, I should think it would be one of the most important meetings we have had as it is likely either to shelve disarmament or to determine its direction for a considerable time to come. I cannot believe that the French, who so far refuse to show their hand, will be content to take the responsibility for the breakdown of the Conference. They may try to get a pronouncement from the Conference that, in view of German re-armament, the basis for a disarmament convention has entirely altered and therefore attempt to change the emphasis by supporting the Soviets in non-aggression pacts and possible pacts of mutual assistance.

So far as I could learn, the United Kingdom delegation will not take a very active part. They are likely to rest upon their record of having submitted a draft convention, together with compromise amendments, and of having done everything in their power to get agreement upon these amendments. Having done that and failed to get sufficient support, they will probably ask what the other Powers have to propose.

It is possible that France may use Litvinoff as a channel through which to re-emphasize the need for guarantees and security.

Yours sincerely,
W. A. RIDDELL

598.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 28 Geneva, May 24, 1934

SECRET. Anticipating discussion in General Commission following questions: (1) German rearmament. (2) Guarantee execution of disarmament convention. (3) Non-aggression and mutual assistance pact. Would appreciate knowing Government attitude on the above points also on admission U.S.S.R. to League.

Secretary General expressed to me yesterday uncertainty as to results of meetings of General Commission, but emphasized that whatever happened League members would still be bound by Article 8 to reduce their armaments.

599.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 15 Ottawa, May 28, 1934

SECRET. Your telegram No. 28. You should not participate in General Commission debate until Government has had opportunity to give consideration to situation as disclosed in opening discussion.

For your information we are in general sympathy with memorandum circulated by Scandinavian delegations on April 14th reserving further consideration of its security proposals and believe it desirable a convention should be drawn up comprising reasonable minimum programme as instalment with provision for reconsideration at fixed future date. Such convention should include limitations of military and air armaments at present levels with provision for reduction of heavy weapons by stages and for prohibition of air bombardment. Should also include provision for continuous investigation of armaments by supervisory commission. Desirable that Germany should re-enter League in which case a limited and controlled measure of rearmament should be provided for in Convention in fulfilment of Declaration December 10th, 1932 on equality of rights.

No objection to entry of U.S.S.R. into League. If Soviet Union attaches conditions or if other countries e.g. Poland raise counter conditions question will require further consideration.

Advisability of making public statement of Government position will receive consideration and be decided in the light of development of discussion in General Commission.

600.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 30 Geneva, May 29, 1934

In the General Commission this afternoon United States representative stated his Government was ready to negotiate a universal pact of non-aggression, a drastic treaty on the control of the manufacture of and trade in arms and an agreement providing substantial reduction of naval tonnage.

The Soviet representative urged that in the meantime work for disarmament be abandoned in favour of negotiating treaties of non-aggression and mutual assistance and proposed that Conference be transformed into a permanent body meeting periodically to safeguard peace, prevent war and afford timely aid to threatened state. Barthou and Simon will speak to-morrow afternoon three-thirty.

601.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

CONFIDENTIAL Geneva, May 30, 1934

My dear Dr. Skelton,

Last night at a small dinner given by Sir John Simon, I had an interesting conversation with Norman Davis. He seemed rather depressed over the present world situation, considering it unpardonable that Japan and Germany should have taken advantage of the present unsettled conditions to violate their treaty obligations. He was especially critical of Japan for watching her opportunity and, when she found that the rest of the world were not prepared to fight for the independence of China, for having torn up her treaties.

He said that he expected, after leaving Geneva, to be in London for a month in connection with the naval negotiations. He seemed to be rather worried over the prospect, as he considered that the negotiations were likely to be difficult owing to the debt situation, which he thought was most unfortunate. The President, he said, had done everything he could but found himself, with all his influence, unable to move Congress. He hoped it might be possible for the British Government to make some kind of a token payment to get this question out of the way, as he considered it quite minor in view of the weightier problems with which the United States and the United Kingdom were primarily concerned. He thought that it was essential that the United States and the United Kingdom should arrive at an early agreement with regard to naval disarmament so that they would be in a position to present a common front to the Japanese. He was confident, however, that if the United Kingdom and the United States were in agreement Japan could not successfully resist them in negotiating the final naval agreement. He seemed to hint that their recent legislation to enable them to build up to parity with the British Empire might be a stumbling block, but considered this was the only thing they could do to demonstrate to Japan that they were prepared to maintain the ratio, even if it meant a race in naval armaments. He said there were a great many people in the United States who thought the United States ratio was far too low in relation to the Japanese.

He mentioned that some of his fellow countrymen believed that the United Kingdom would revive the alliance with Japan and he did not seem clear

in his mind as to whether or not there was such a possibility. I told him I did not think there was any likelihood whatever of such an alliance being renewed. He seemed relieved to have this assurance.

I mentioned the two recent speeches of Mr. Bennett in Montreal and Ottawa, in which he had stressed the great opportunity of Canada in furthering collaboration between the British Commonwealth and the United States in international affairs, and declared that a "League of Amity" between these countries would be one of the most powerful influences for peace that could be conceived. I also told him of the decisions of the unofficial British Commonwealth Conference in Toronto last autumn, which based the foreign policy of the British Commonwealth on the collective system and co-operation with the United States. He seemed to be very much interested and continued to question me with regard to Canada's attitude. He said he thought that Canada could play a great rôle and render tremendous service to the two countries.

In referring to his speech in the General Commission yesterday afternoon, he explained that the object of the universal non-aggression pact which he proposed was to supplement the Briand-Kellogg Pact. He pointed out that countries might interpret this Pact as permitting them, in defence of their national territory, to invade the territory of another country. The Pact which he had proposed was intended to make this impossible and to bind the signatory nations to keep their troops within their own territories. Under no pretext whatsoever could they cross the frontier of another State.

Yours sincerely,
W. A. RIDDELL

602.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 39 Geneva, June 6, 1934

In addition to proposals before Bureau mentioned in my telegram No. 36 of the 1st June, French today Wednesday proposed draft resolution providing: (*a*) Political Commission investigate possibilities of further regional security pact and study "guarantees of execution", (*b*) Air Commission study question respecting air forces (see Resolution July 23rd, 1932), (*c*) Committee on private manufacture of arms resume work and make recommendations, (*d*) Bureau to prepare as complete a draft convention as possible for submission to General Commission, (*e*) Soviet proposal be submitted to Governments.

It is hoped that Bureau at meeting Friday morning may reach agreement on Resolution for submission to General Commission Friday afternoon.

603.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 40 Geneva, June 8, 1934

MOST IMMEDIATE. My telegram of the 6th June, No. 39. French Resolution as modified in agreement with the United Kingdom delegation will be introduced this afternoon. Changes include: (1) Reference to French, Italian, British and German memoranda; (2) Provisions for renewed conversations with Germany and other countries in order to bring about her return; (3) Provision for preliminary work on regional security agreement to be conducted by Special Committee instead of Political Commission.

If this Resolution is rejected by General Commission and breakdown inevitable, do you consider statement briefly summarising Canadian attitude towards disarmament should be made?

604.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 41 Geneva, June 9, 1934

My telegram 8th June, No. 40. Amended French Resolution adopted by General Commission which will meet on Monday to organise work of Committee.

605.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 57 London, June 15, 1934

SECRET. We recently approached Governments of United States of America, Japan, France and Italy with suggestion that as it would probably be the general wish that Naval Conference contemplated in Article XXIII of London Naval Treaty, 1930, should take place early in 1935, it would be of advantage if some preliminary survey of ground could now be undertaken by means of discussions between representatives of Governments chiefly concerned. We explained that we did not contemplate anything in the nature of a preliminary conference but that what we had in mind was a series of bi-lateral talks between representatives of His Majesty's Government in the

United Kingdom and of each of above Governments with reference particularly to questions of procedure and technical questions, each Government keeping the others informed of progress of discussions and we suggested conversations might most conveniently take place in London.

Suggestion has been accepted by Governments of United States and Japan and discussions with former are to begin on the 18th June.

Further telegram will be sent as soon as possible.

606.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B. 59 London, June 18, 1934

SECRET. My telegram Circular B. 57 June 15th. In regard to naval conversations one of the points which seems likely to come up is question of form in which limitation of naval forces of members of the British Commonwealth of Nations should be expressed in any future naval treaty.

In Washington and London Naval Treaties it will be recollected that limitation in various categories was by a single figure for naval forces of all members of the Commonwealth taken together, and figures for foreign countries were fixed in relation to that single figure. Undoubtedly this would be the simplest form of arrangement and would facilitate agreement with foreign Powers. It would mean that the use of gross total agreed upon could then be subject of negotiations between the Dominions and ourselves. But in view of questions raised from the Dominions point of view we have been considering whether we should be prepared with any alternative to this procedure.

Leaving out of account for the moment its reaction on foreign Powers with whom negotiations would be necessary, it appears to us that arrangements which would be likely best to meet both requirements of naval security and standpoint would be one whereby treaty would provide separate figures in respect of each member of the Commonwealth, and naval strength of foreign Powers would be calculated in relation to the United Kingdom figures only. Subject to any observations, we should be prepared in forthcoming preliminary discussions to proceed on this basis but think it well to give some warning of difficulties.

Of course, it remains to be seen whether idea of such an arrangement would prove acceptable to foreign countries; we anticipate that it would meet with considerable opposition on the part of both the United States of America and Japan. If such objections should be raised we should propose to use every effort to overcome them. However, if these efforts should not prove successful, it would presumably be necessary to consider further best method of dealing with situation. Ends.

607.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 47 Geneva, June 28, 1934

Sub-Committee for the manufacture of arms has unanimously adopted a draft Protocol which will come before full Committee Monday. In view of interest shown by Canadian delegation in the matter (see Canada White Paper, Report on Conference, Annex III), I should like to point out that Chairman of Committee has informed me personally that he would welcome our application for membership. Draft Protocol provides for strict control by Governments and Permanent Disarmament Commission of State and private manufacture and trade in arms not prohibited by Disarmament Convention.

Unlikely that Air Committee will meet before Assembly.

608.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 19 Ottawa, June 30, 1934

IMMEDIATE. Your telegram June 28th, No. 47. Proposed membership on Arms Committee approved.

609.

Le chargé d'affaires au Japon au secrétaire d'État aux Affaires extérieures
Chargé d'Affaires in Japan to Secretary of State for External Affairs

DESPATCH 204 Tokyo, July 16, 1934

Sir,

With reference to earlier despatches concerning the naval policy of Japan, I have the honour to place before you the substance of a statement made by Admiral Mineo Osumi, Minister of the Navy, to a conference of five state Ministers (composed of the Prime Minister and the Ministers of Finance, Foreign Affairs, War and the Navy) which was held in Tokyo on the 14th of July, 1934.

Admiral Osumi summarized the attitude of the Japanese navy by declaring that the high command would be satisfied by nothing less than:

A) the abrogation of the existing 5 – 5 – 3 ratio as between Great Britain, the United States, and Japan;

B) the acknowledgment by the other Powers of Japan's right to naval parity;

C) the perfection of Japan's naval defences regardless of the existing financial difficulties.

Each of these objects, of course, has been adumbrated before, but this is the first formal and definitive statement issued apparently with Government approval by the responsible head of the naval forces of the Japanese Empire. The fact that it has been set forth in this definite and concrete manner will obviously make it much more difficult for the Japanese Government to agree to any continuance of the present disparity or even to accept a compromise agreement at the time of the 1935 Naval Conference. But it is just as well that the other Powers should know beforehand that Japan will attend the Conference in a definitely intransigeant mood. This attitude has been further emphasized by the very revealing action of the Japanese Government in sending only a junior Lieutenant-Commander to take part in the preliminary discussions now being held in London.

I have etc.

HUGH L. KEENLEYSIDE

610.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions

Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 46 Ottawa, August 15, 1934

Your confidential telegram Circular B.84 of August 8th. Soviet proposal for transformation of Disarmament Conference into a permanent Peace Conference. Appreciate advance information of your Government's position. His Majesty's Government in Canada are instructing Canadian Advisory Officer at Geneva, by post, to inform the President of the Disarmament Conference that they do not favour the adoption of the Soviet proposal on the general ground that if adopted it might tend to duplicate rather than strengthen the League machinery for the settlement of international disputes without giving any additional assurance of expediting the task of Disarmament.

611.

Le sous-secrétaire d'État aux Affaires extérieures au Conseiller

Under-Secretary of State for External Affairs to Advisory Officer

TELEGRAM [Paris,] September 8, 1934

We are informed United Kingdom have decided to defer communicating to President of Disarmament Conference proposed reply regarding Soviet proposal for transformation of Conference into permanent institution. I think you should also defer proposed Canadian reply.

612.

Le secrétaire, bureau du Conseiller, au secrétaire d'État aux Affaires extérieures

Secretary, Advisory Officer, to Secretary of State for External Affairs

TELEGRAM 69 Geneva, November 5, 1934

President of Disarmament Conference, considering present political conditions make necessary postponement until after the beginning of next year of any attempt to deal with problems of disarmament, this afternoon convoked Bureau for November 20th to consider whether it would be desirable to modify present Conference procedure, which envisages conclusion of complete disarmament convention, proceeding first with consideration of separate protocol on manufacture and trade in armaments, budgetary publicity, establishment of Permanent Disarmament Commission and similar subjects sufficiently advanced to be dealt with in this way. November meeting will be concerned therefore not with any specific questions of disarmament but only with questions of best procedure to be followed next year.

613.

Le secrétaire, bureau du Conseiller, au secrétaire d'État aux Affaires extérieures

Secretary, Advisory Officer, to Secretary of State for External Affairs

TELEGRAM 74 Geneva, November 20, 1934

My telegram No. 69 of the 5th November. Bureau of Disarmament Conference this morning adopted following procedure:

Committees on,

(*a*) Regulation of manufacture and traffic in armaments;

(*b*) Budgetary publicity; and

(*c*) Miscellaneous questions;

are to be convened early in the New Year to draft separate Protocols dealing with each of these questions separately and if possible to coordinate their efforts.

It was also decided that,

(1.) "draft articles on manufacture and trade in arms and establishment of Permanent Disarmament Commission" submitted this morning by United States delegation should be referred to Committee and to League members for comment, and

(2.) A reminder should be sent to League members again requesting their comments on Litvinoff's proposal for Permanent Peace Conference.

Following receipt of letter, your letter of 2nd November, our communication of August 27th based on your letter of August 15th stating that Canada did not favour adoption of Soviet proposal for Permanent Peace Conference was returned to this office.

614.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

DESPATCH 2 Washington, January 2, 1935

Sir,

I have the honour to enclose a copy of a note[1] dated December 31, 1934, from the Department of State, transmitting the notice of termination of the Washington Treaty of 1922 for the Limitation of Naval Armaments, which was presented to the Secretary of State of the United States by the Japanese Ambassador on December 29th. I also enclose copies of a statement[1] which was issued to the press by the Secretary of State on receipt of the Japanese Ambassador's note.

I have etc.

H. H. WRONG

615.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.19 London, February 12, 1935

IMPORTANT. SECRET. My telegram Circular B.6, Secret, of the 22nd January. The question of arms trade and manufacture has been further examined here in anticipation of meeting of relevant Committees at Geneva on February 14th. Instructions to United Kingdom representatives will be on the following lines:

(*a*) The institution of Permanent Disarmament Commission could not appropriately be included in Convention relating solely to arms trade

[1] Non reproduite. [1] Not printed.

and manufacture, and should be the subject of separate Protocol, proposed Arms Convention being self-contained as to provisions for watching its execution. This work would be one of the functions of Commission, if and when instituted. Representatives of United Kingdom will not insist on separate Protocol absolutely, but they will of course oppose any suggestion that for purposes of this Convention the Commission should be endowed with full power of permanent and automatic supervision and local inspection such as would only be appropriate to a limitation or disarmament Convention.

(*b*) The main object of attempted definition of component parts will, it is thought, be met if instead of definition a schedule of important components can be agreed upon and representatives of United Kingdom would be prepared if necessary to submit lists which have been drawn up here in respect of land and naval forces. It has not been possible, for general reasons given in (c) below, to draw up a corresponding list in respect of air forces.

(*c*) United Kingdom Government are of the opinion that it is not now possible to distinguish between civil and military aircraft or components thereof and representatives will therefore suggest:

(1) That all aircraft, both civil and military, and aircraft engines, shall be licensed for manufacture and export;

(2) That component parts other than engines be so licensed also. It follows that all aircraft both civil and military and parts thereof would be subject to the same degree of publicity as provided for in the case of other armaments covered by Convention;

(*d*) With regard to degree of publicity generally, United Kingdom representatives will suggest that object aimed at in Convention under consideration will be adequately met by rendition of periodical returns (for both manufacture and export) of total value by general categories of armaments, export figures being given separately for each country of destination. They will emphasize difference between purposes of an arms trade and manufacture Convention and those of a general disarmament Convention in respect of which publicity would necessarily be more detailed in order to provide check as to fulfilment of obligations by parties thereto. Representatives of United Kingdom will oppose any suggestion which would make for disclosure of prices;

(*e*) Representatives will propose, as foreshadowed in my telegram under reference, that any Convention relating to arms trade and manufacture should contain provision for complete prohibition of export credits in respect of all armaments of whatever kind, including vessels of war and civil as well as military aircraft and aircraft engines. Ends.

616.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 9 Geneva, February 15, 1935

In meeting of Committee on the private manufacture of arms this morning, I reiterated our attitude on this question and expressed appreciation of the United States draft convention as basis for discussion, but in the absence of instructions did not comment on British proposal. Majority of Committee consider British proposal as tending to weaken convention. Would appreciate instructions. Committee meets again Tuesday.

617.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 5 Ottawa, February 20, 1935

CONFIDENTIAL. Your telegram No. 9 of 15th February. Government are studying United Kingdom proposals for modification of U.S. draft convention on arms trade and manufacture, and are forwarding their observations to United Kingdom Government. Pending despatch of detailed instructions, you should know that we concur in opinion that differentiation between civil and military aircraft for purposes of draft convention is impracticable, and feel United Kingdom proposal to include civil aircraft is constructive suggestion. On other British proposals we are waiting for clarification from London.

In meantime, please indicate attitude of principal powers to United States proposal and United Kingdom amendments.

618.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 19 Ottawa, February 21, 1935

SECRET. Your telegram of the 12th February, Circular B.19, Secret.

(*a*) We agree that Permanent Disarmament Commission, with functions and powers as outlined in United States draft, is an unnecessarily elaborate instrument for purposes of present Convention, and could, logically, be divorced from convention regulating manufacture of and trade in arms. Disposition of this question appears, however, to depend on whether separate entry into force of present draft as self-contained is contemplated. The decision

to press on with projects for the control of the traffic in arms, the establishment of a Permanent Disarmament Commission, and other questions on current agenda of Conference Committees while consideration of basic problems was postponed pending clarification of general political situation—was primarily one of procedure. It had been hoped that various draft conventions, now in process of preparation, would either be formally incorporated in a General Convention or would enter into force simultaneously with it, and we fear that determined objections to establishment of a Disarmament Commission at present stage and in context of Arms Traffic Convention might prejudice prospects of setting up such a Commission with adequate powers to watch over operation of any General Convention that might be subsequently arrived at and might jeopardize prospects of substantial progress on central problems of reduction of armaments.

(*b*) No objection is seen to definition of component parts in United States draft—but we agree that comprehensive enumeration of important components which might assist in achieving comparability and simplify administration of general scheme of control would be acceptable.

(*c*) We concur in impracticability of differentiating between civil and military aircraft or components thereof for purposes of Convention and will support the amendment of the United Kingdom in this sense.

(*d*) We are not quite clear whether proposed restriction of publicity to periodical returns of total value by general categories of armaments would differentiate in degree or scope of publicity between returns for manufacture and for export. In case of statistics of manufacture, we can see force of such limitation, but feel that as regards exports of armaments frequent and detailed returns are desirable. In addition, we should like to know if "general categories" refer to "categories" named in Part I of draft Articles. If this is the case and returns are to be given simply as total value of shipments to each country under category I etc. resulting information would be of little value in attaining general object of Convention.

(*e*) No objection is seen to proposed prohibition of export credits in respect of armaments, and we should be glad to learn whether proposed prohibition should extend to private as well as public export credits. Ends.

619.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 12 Geneva, February 22, 1935

CONFIDENTIAL. Your telegram of the 20th February, No. 5. United States proposals generally acceptable. Some delegations, including French and Soviet, desire to strengthen them. With the exception of Italy, delegations generally critical of attitude of United Kingdom. Italy considers for the

present Committee should limit itself to regulating trade in arms. Attitude of Committee seems to be that it must endeavour to carry out fully mandate of Bureau of Disarmament Conference that is establishment of Convention regulating the manufacture of and trade in arms, provision for publicity, national defence expenditure and organization of Permanent Disarmament Committee.

620.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 12 London, February 26, 1935

SECRET. Your telegram No. 19 of the 21st February, Secret, arms trade and manufacture. The United Kingdom Government much appreciate support of His Majesty's Government in Canada in regard to definition of components and military aircraft. As regards other points in your telegram under reference;

(*a*) Our understanding of Bureau's decision of November last was that separate Protocol dealing with arms trade and manufacture, budgetary publicity, and Permanent Disarmament Commission, would be negotiated, and if possible come into force independently and in advance of general disarmament convention. As stated in my Secret telegram of the 12th February, Circular B.19, we should prefer that these three subjects should be dealt with in separate Protocols, but we are not insisting on this and shall be prepared to defer to the wishes of the United States delegation that all three matters should be dealt with in one instrument. His Majesty's Government in the United Kingdom are thus not opposed to immediate establishment of Permanent Disarmament Commission in context of a Convention dealing with arms trade and manufacture. What we are concerned to avoid is that Commission should be endowed with needless elaborate powers of permanent and automatic supervision for the purpose of a Convention on arms trade and manufacture. Our view is that such powers should only be conferred upon it in connection with a general disarmament convention.

(*d*) Our proposal is that periodical returns of total value by categories should be identical in degree and scope of publicity in respect of both manufacture and export. It is felt to be unlikely that importing countries would agree to any differentiation of the nature suggested in your telegram of the 21st February, Secret, No. 19. Periodical returns for both manufacture and export would be made under each heading and sub-headings in each of the categories named in Article I. Thus there would be one return for (One) rifles and carbines and another for (Two) machine guns, automatic rifles and machine pistols and so on.

(*e*) What we are proposing to prohibit is State financial assistance for encouragement of exports. Prohibition would not apply to export credits privately afforded. Ends.

621.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.29 London, March 18, 1935

SECRET. My telegram Circular B.28 of the 12th March. As Dominion Governments will be aware, German Government announced publicly on March 15th their intention to adopt conscription and to increase to 36 divisions peace basis of German Army. The matter has been considered by the Cabinet this morning and as a result note is being communicated this afternoon to the German Government. The terms of note follow in my immediately succeeding telegram. Ends.

622.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 40 Geneva, April 5, 1935

Work of Technical Sub-Committee on the Manufacture and Trade in Arms Convention practically completed. Position of delegations as outlined in previous telegram generally maintained. Second reading will begin in Plenary Meeting next week on draft with duplicate text in certain cases. In the event of vote being taken, I should appreciate having confirmation that Canadian Government is willing to accept: 1. Publicity order; 2. Establishment of Permanent Disarmament Commission with the right to make inspection on the spot; 3. Quantitative publicity for both manufacture and export; 4. Responsibility of country of transit to require that consignment of arms shall be accompanied by necessary export and import licence.

623.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 11 Ottawa, April 11, 1935

Your telegram No. 40 of the 5th April and previous telegrams.

1. You should support maintenance in text of 7c, providing publicity for orders, on assumption no greater detail is contemplated than in case of publicity for actual exports.

2. Amendment of Article 8, requirement of transit licences approved.

3. Establishment of Permanent Disarmament Commission with right to make inspection on the spot acceptable, particularly in view of desirability of getting general assent to organization of Commission with broad powers for eventual armaments control.

4. Regarding quantitative publicity, we see no objection to returns for both manufacture and export being made under each heading and sub-heading in each category named in Article 1 which we understand is British position, but we should like further details as to exact point at issue and position taken by chief delegations.

5. In view of apparent agreement of technical experts on feasibility of differentiation between civil and military aircraft, you may accept proposed formula involving regulation of traffic in military aircraft under category 3 and civil aircraft under category 5.

6. You should take opportunity of explaining position on these points to United Kingdom delegation before taking position in Committee.

7. No recent documents regarding Committee proceedings have been received. Please arrange to have all such documents forwarded regularly to the Department. No necessity to send them to members of former Canadian delegation to Conference.

624.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 27 Ottawa, April 12, 1935

CONFIDENTIAL. We have been somewhat perturbed by press reports to the effect that it had been stated on behalf of the British Government in the House of Commons that "no steps had been taken by the British Government in the arms situation or regarding the World Disarmament Conference without consulting the Dominion Governments, and that in no case had there been dissent from our policy in any Dominion".

The Canadian Government appreciate the difficulty and delicacy of the situation facing the Government of the United Kingdom as the result of recent developments on the Continent of Europe, and recognize the vigorous efforts that have been made by the British Government in the past few weeks to facilitate a solution. They recognize also that the information which has been sent by His Majesty's Government in the United Kingdom as to its policies and actions has been as complete and prompt as circumstances make humanly possible. It is not, however, considered that the sending of information regarding policies which have been adopted or in some cases actions

which have been taken, constitute "consultation" in the proper or usual sense of that term. If it is assumed that there have been consultations prior to the taking of decisions, erroneous inferences are apt to be drawn by people in Canada and elsewhere from the statement that there have been no dissents from the policy adopted. A question on the subject may be asked at any time in the Canadian Parliament. We should like to avoid public discussion at the present time in view of the delicate situation but we consider it advisable to point out through this communication the misunderstandings which may arise through statements such as reported in the press. It should be added that these observations apply to information regarding the general European situation and not to the discussions in the Disarmament Conference which have been on a different footing.

625.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 41 Geneva, April 12, 1935

Your telegram of the 11th April, No. 11. Regarding quantitative publicity, the United Kingdom, Italian and Japanese delegations have opposed in Committee furnishing of returns which give number of arms and armaments manufactured, exported or imported; but are willing to furnish returns giving total value of the above articles, under each heading and each sub-heading in each category named in Article 1.

The American, French, Soviet and most of the other delegations are willing to furnish returns including numbers. The Swiss and Polish delegations, because of United Kingdom and Italian attitude, prefer not to commit themselves on the question.

Regret that you have not been receiving recent disarmament documents, and have brought matter to the attention of Distribution Section of the League.

626.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretory of State for External Affairs to Advisory Officer

TELEGRAM 12 Ottawa, April 15, 1935

Your telegram No. 41 April 12th. Value alone does not appear to provide sufficient information regarding extent of manufacture, import and export. We feel, therefore, that Convention, to be effective, should provide for fur-

nishing returns giving number of arms and armaments manufactured, exported or imported and you are authorized to take this position if question comes to a vote.

627.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 42 Geneva, April 15, 1935

Committee on the manufacture and trade in arms concluded first reading of draft convention Saturday. Before second reading draft text will be transmitted to Governments for observations. Minutes of last sitting at which I made statement based on points 1, 2, 3 and 5 (your telegram No. 11 of April 11th), (point 4 was omitted as being still under consideration) will be annexed thereto. This declaration was made after conference with United Kingdom delegation. Result of session generally considered satisfactory although United Kingdom and Italy have maintained reservations with regard to publicity of orders and numbers and inspection on the spot.

628.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 44 Geneva, April 15, 1935

Your telegram of the 15th April, No. 12. Am I authorized to amend my statement in Arms Committee referred to in my telegram of today, No. 42, to include Canadian views as to numbers?

629.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM Geneva, April 15, 1935

SECRET. The United Kingdom delegation seem satisfied with Stresa Joint Resolution.

1. They appear now to be solidly behind French request before Council under Article 11.

2. The United Kingdom delegation consider prospects good for two separate Eastern European Pacts,

(*a*) Security Non-Aggression Agreement between all interested States, and

(*b*) Mutual Assistance Treaty between these Powers, excluding Germany and Poland.

3. As regards Austria, they are in full agreement, and will attend as observers of Rome Conference of Central European States which it is now proposed to hold in May.

4. The United Kingdom delegation fully concur regarding Western Air Treaty and, as well as French, have already submitted draft scheme. It is hoped to conclude an agreement between five States on a general or bilateral basis.

5. Notwithstanding Germany's Declaration of the 16th March, British still hope to keep way clear for a limitation of armaments, although from conversations with the German Chancellor they are not certain that armaments can be limited below present German demands. They all hope understanding can be reached by other disarmed countries and their neighbours regarding their rearmament.

6. The Anglo-Italian pronouncement with regard to Locarno was made at the request of France in order to allay fears concerning neutral zones.

7. Final statement was intended to emphasize solidarity of the three Powers while still leaving the door open for re-entry of Germany into collective system. Ends.

630.

Le secrétaire d'État par intérim aux Affaires extérieures au Conseiller
Acting Secretary of State for External Affairs to Advisory Officer

TELEGRAM 13 Ottawa, April 16, 1935

Your telegram No. 44 April 15th. Feel it is unnecessary to amend statement at this time, particularly since opportunity will be available later when draft Convention is received by Government for observations.

Would appreciate general despatch, bringing up to date that of February 15th on Committee's work, to assist us in dealing with draft Convention.

631.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 23 London, April 17, 1935

CONFIDENTIAL. Your telegram of the 12th April, No. 27. It would seem that statements made in House of Commons have not been altogether correctly reported in Canada.

Two questions have recently been asked in the House of Commons. The first on April 1st was "Whether Dominion Governments have expressed their opinion of Imperial foreign policy now being pursued by His Majesty's Government and if so whether he can tell the House what that opinion is". My reply was as follows "Every effort is made to keep His Majesty's Governments in the Dominions in touch with policy and action of His Majesty's Government in the United Kingdom in respect of foreign affairs. It is not for me to voice opinion of Dominions, but I can at least say I have had no indication that any of them dissent from general foreign policy which we are pursuing".

The second question on April 10th was whether any Dominion Government had at any time been consulted with regard to French proposal at Disarmament Conference in March, 1933, for an International Aerial Police and if so what views they took. I replied "Throughout Disarmament Conference there has been constant consultation with the representatives of the Dominions on all aspects of the problems involved. So far as I am aware no Dominion Government has made any official pronouncement on the particular proposal referred to by the Honourable Member. There have, however, been public statements from time to time by the Dominion representatives indicating dissent from conception of League of Nations as an organization with armed forces of its own".

My answer to one of several supplementary questions on latter occasion contained words somewhat similar to those quoted at the beginning of your telegram, but I made no allusion to "the arms situation" or to the general European situation and my answer was directed to the points raised in the main question, namely, matters arising at Disarmament Conference which I note from your telegram His Majesty's Government in Canada regard as standing on a different footing. In the case of question of April 1st which referred to conduct of foreign policy generally, I was careful to avoid any reference to "consultation".

If any further questions are asked here, we should do our best in accordance with principle agreed to at successive Imperial Conferences to emphasize distinction between consultation in cases likely to involve active obligations and communication of information as to developments and we hope that any questions which might be raised in the Canadian Parliament could be disposed of on similar lines.

632.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.59 London, May 28, 1935

SECRET. My telegram Circular B.48, Secret, of the 25th April. With a view to elucidating certain points in German Chancellor's speech of May

21st, His Majesty's Ambassador at Berlin has been requested to make enquiry of German Government.

1. What further conditions have to be fulfilled in order that "a truly juridical equality of all parties" may make possible return of Germany to the League?

2. Is the German Government undertaking "unconditionally to respect the other Articles of Treaty of Versailles regarding international relations, including territorial provisions" to be taken as covering all Articles still in force except armament clauses of Part 5?

3. Is the Chancellor prepared to open negotiations immediately for non-aggression pacts with various Governments concerned, possibly for ultimate inclusion in a multilateral pact?

4. What concrete schemes have the German Government in mind in declaring readiness to limit German air arms to parity with other individual western great Powers? (Do German Government in mention made privately to Air Attaché figure 2,000 first line machines as their aim for German Air Force claiming this is French first line strength in France and North Africa?)

5. How do German Government reconcile statement that in no circumstances will they depart from figure already given for new army programme and also the statement that they are at any time prepared to limit their armaments to any extent equally adopted by other States?

6. Having regard to statement as to construction of new German Army that it will consist of 36 Divisions with maximum strength of 550,000 men and suggestion recently made to British Military Attaché that strength might vary between 330,000 men and 660,000 men, is number of effectives as apart from "construction" of army still a matter for negotiation?

7. In view of Hitler's indication of readiness to discuss and agree to an Air Pact, what views are held by the German Government as to shape which Pact should assume?

The German Minister for Foreign Affairs has given purely provisional replies to certain points as follows, pending full official reply.

2. The German Government desire certain further minor alterations in regard e.g. to international rivers and restrictions connected with navigation in the Kiel Canal.

3. In view of Russian and [French] statements that proposals are about to be made to the German Government, the latter will await promised communications regarding non-aggression pacts in a joint pact.

4. (Figure of 2,000 machines for French metropolitan and North African first line strength now said to be very approximate and to be subject to detailed investigation when Air Pact negotiations begin).

6. The question of effectives will probably be made dependent on *pro rata* reduction of effectives by Russia; otherwise some form of special security pact will have to be concluded between Germany and the Western Powers.

7. The German Government have prepared preliminary outline of shape which Air Pact should assume and will supply this at a very early date.

The German Government, as indicated in the press, are sending Herr Ribbentrop to London on the 4th June to open discussions on naval questions. See passage regarding naval armaments in my secret telegram, Circular B.38, of the 4th April. Ends.

633.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.62 London, June 6, 1935

SECRET. My telegram Circular B.59, Secret, of the 28th May. German delegates have enquired, in the course of the present naval conversations, whether His Majesty's Government in the United Kingdom would be prepared to give a clear and formal recognition of decision taken by German Government to lay down a relationship between British and German fleets in the proportion of one hundred per cent to thirty five per cent. The conversations have proceeded on basis of figures for naval forces of British Commonwealth as previously supplied to Japanese Government in connection with discussions with representatives of that country and of United States towards the latter part of last year.

The German representatives have explained, in making this enquiry,

(*a*) that German Government would regard above ratio, if accepted, as final and permanent and that it would not be modified even if Germany should subsequently obtain possession of capital ships;

(*b*) that German Government would adhere to this limitation, if agreed, independently of naval construction of third parties, though they assumed in the event of France deciding to make any considerable increase in her naval strength, His Majesty's Government in the United Kingdom would endeavour to deter her from taking this course;

(*c*) that German Government would not insist on incorporation of above ratio in future international treaty provided that any methods adopted for future naval limitation gave Germany full guarantees that above relationship with British fleet would be maintained.

(*d*) That German Government are prepared in principle to calculate above ratio on tonnage in separate categories, the details to be settled in future general treaty, or failing this, by discussion between the respective Governments.

The principal German delegate, in the course of his opening statement, said "The German Chancellor could not have contemplated this voluntary limita-

tion by a Sovereign State of its naval defence if he had not once and forever excluded Great Britain as a possible enemy from all considerations of German defence".

Having regard to previous history of German rearmament it is felt here that it would be unwise to reject offer now definitely made, but as has been explained to German delegates it is considered essential that other Governments represented at London and Washington Naval Conferences should be given an opportunity to express their views before formal agreement is reached with the German Government. On the other hand the German representatives are most anxious that reply should be given as soon as possible and they claim there has already been a certain disappointment in Germany in that it had not been felt possible here more promptly to accept offer (which was contained in speech of the German Chancellor of the 21st May).

In accordance with view held by His Majesty's Government in the United Kingdom as expressed above, approach is being made at once to foreign Governments concerned, and it is hoped to obtain their replies within the next few days. It is being represented to foreign Governments concerned that the German offer, in the view of His Majesty's Government in the United Kingdom, is a contribution of great importance to the cause of future naval limitation and also furnishes an important assurance for future security of this and other countries. The attention of foreign Governments concerned is also being called to the explanation which accompanied German offer as given above and it is being made clear to them that it is the present intention of His Majesty's Government in the United Kingdom to recognize this decision of German Government as basis of future discussion between United Kingdom and German naval representatives in London.

If His Majesty's Governments in the Dominions have any observations to offer, we should be grateful if we could have them at the earliest possible moment. Assuming satisfactory replies from foreign Governments are received and unless His Majesty's Governments in the Dominions have any observations to offer, it is proposed to give a favourable reply to the German representatives on their return to London to continue conversations early next week. Ends.

634.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.65 London, June 18, 1935

SECRET. My telegram Circular B.62, secret, of the 6th June. Today formal notification of acceptance by His Majesty's Government in the United King-

dom of German Government's naval proposals was notified to the German representatives. As soon as possible Texts will be published as a Command Paper.

635.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM B.125 London, October 24, 1935

SECRET. My telegram of today Circular B.124 contains formal invitation referred to in my telegram Circular B.122, Secret, of the 22nd October. We hope, as stated in telegram last mentioned, to have an early meeting with Dominion representatives in London to discuss questions likely to arise at Conference and general arrangements. It will be seen that it has been indicated to Foreign Governments that it is considered desirable in view of character of Conference that size of delegations should be as limited as possible. Ends.

636.

Le haut commissariat au sous-secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Under-Secretary of State for External Affairs

London, October 26, 1935

Dear Dr. Skelton,

I spent yesterday afternoon in the Foreign Office meeting and talking with various officials. I took advantage of this opportunity to chat with Craigie about the forthcoming Naval Meeting. He said that they were assuming that the Dominions would be represented, but, in view of the fact that the other Powers were likely to be represented merely by their Ambassadors in London, they did not anticipate that there would be any large Dominion delegations.

He gave me the impression that they were not very hopeful of achieving anything much in the way of a limitation agreement, and that if they had been able they would have preferred not to have a meeting at this rather inauspicious time. However, as the Japanese were quite determined not to prolong the present arrangement beyond the date set in the Treaty of London, the alternatives were either to let that Treaty lapse completely or to hold some sort of conference and see what could be salvaged. Of the two alternatives, they naturally felt that they should adopt the latter. Though they do not

think that any quantitative limitation is likely to be possible, they have some hopes that arrangements may be reached by which construction programmes may be kept within a stated maximum figure for each signatory Power. If no agreement of any kind in relation to tonnage can be reached, then they hope to draw up one for qualitative limitation; though here again he admitted that there were serious obstacles to be overcome.

I asked them what would be their reaction here if:

(1) A Dominion or Dominions did not desire to attend the meeting, but did desire to release itself from the British Commonwealth quota of previous treaties: or,

(2) A Dominion or Dominions brought up the question of separate quotas.

In respect to (1) they stated that they of course realised that certain Dominions might not desire to attend, but they hoped that this abstention would not include Canada, Australia or New Zealand. The Irish Free State and South Africa having no naval forces were naturally in a somewhat different position to the others. As to (2) they hoped that the question of single or separate quotas would not be raised, especially as it was not likely that any formal agreement would be arrived at. He seemed quite certain that objection would be raised on the part of both Japan and the United States to any quota figures for the United Kingdom only, unless the Dominion figures were also added for the purpose of computing tonnage ratios. He admitted that, if certain Dominions did not attend the proposed meeting, then it would be impossible to speak of "British Commonwealth Navies" in any arrangement, agreement or document which might result from that meeting. In such a case, he hoped it would be possible to refer to the navies of the United Kingdom and those Dominions which attend, mentioning them separately, e.g. "Construction figures for the navies of the United Kingdom, Canada, Australia and New Zealand on the one hand, and the United States and Japan shall be etc."

Craigie added that one of the most encouraging things about the whole situation was the very close harmony between the United States and the United Kingdom in the preliminary discussions.

We were of course only talking very informally, but I thought you might be interested in what Craigie's own views were on these matters, especially as he is apparently very influential here so far as naval questions are concerned. I have heard it stated that it was Craigie rather than the Foreign Office generally (which held quite different views on the matter) who worked with the Admiralty in putting across the recent Anglo-German Naval Agreement. I only mentioned that Agreement to him, in passing, by an enquiry as to how he found the Nazis as naval negotiators. He replied that they were

most pleasant and satisfactory fellows (especially Ribbentrop), and that one felt they were honest and straightforward negotiators!

Yours very sincerely,

L. B. PEARSON

637.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 240 London, November 8, 1935

CONFIDENTIAL. London Naval Conference. Dominions Office have just sent us following message. Begins. Secretary of State for Dominion Affairs feels as a preliminary to Naval Conference, opening date of which is now set for December 5th, that discussions between representatives of members of the British Commonwealth would be of great value. He is himself unable to take part in such discussions owing to General Election but Sir Bolton Eyers Monsell, First Lord of the Admiralty would be able to take chair if suggestion for meeting commends itself to Dominions' representatives. It is hoped shortly to forward copies of a memorandum drawn up to explain in some detail position regarding naval limitation up to the present date and issues which it may be expected will come before Conference having regard to divergent points of view held by foreign countries which are to be represented. First Lord of the Admiralty would be able to fix such meeting for Wednesday afternoon, November 13th, and it is hoped it may be possible for your new High Commissioner to be present. Similar letters are being written to High Commissioners for Commonwealth of Australia, New Zealand, Union of South Africa and Irish Free State. Ends. Would appreciate your comments by cable.

638.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 86 Ottawa, November 12, 1935

Your Circular telegram B.124 of October 24th. Canadian Government accept invitation to forthcoming London Naval Conference, and will be represented by High Commissioner for Canada, who is now en route to take up his duties in London, and by Commodore Percy W. Nelles, Chief of the Naval Staff, who proposes to sail November 15th from Montreal on S.S. *Duchess of Bedford.*

639.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 209 Ottawa, November 12, 1935

CONFIDENTIAL. Your telegram No. 240 of November 8th, Confidential, London Naval Conference. You may inform Dominions Office Canadian Government will be glad to have High Commissioner participate in preliminary discussions between British Commonwealth representatives. You will be able, after consulting steamship company regarding *Empress of Britain,* to say whether Mr. Massey will be able to be present on November 13th. It should also be added that, as Canadian Government have not yet had an opportunity to consider the questions coming before the Conference, it will not be able to indicate our views at that meeting, but that we shall be glad to learn the views of the British Government as to the probable developments at the forthcoming Conference.

640.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

SECRET AND CONFIDENTIAL

DESPATCH 2 London, November 22, 1935

Sir,

I have the honour to enclose herewith Minutes[1] of a meeting of representatives of the United Kingdom and the High Commissioners of the Dominions held at the Admiralty on Wednesday, November 13th. The purpose of this meeting, which was presided over by the First Lord of the Admiralty, was to discuss the Naval Conference which is shortly to be held in London.

It will be noted from the enclosed document, which is to be treated as most confidential, that no great expectations are held out for any substantial achievement at the forthcoming Conference. Indeed, the record as circulated hardly does justice to the pessimism with which this meeting appears to be contemplated. The attitude of the United Kingdom Government seems to be that, as a meeting of some kind is unavoidable unless frank admission of complete failure is to be made, every effort must be made to try and achieve something of value, however gloomy the prospects.

In respect to quantitative limitation, it will be noted that this is to be put forward again because "popular opinion would be disappointed if discussion

[1] Non reproduits. [1] Not printed.

on quantitative limitation was abandoned entirely", and because Japan insisted upon it. But no illusions are held that anything can be accomplished beyond possibly the acceptance by certain of the naval powers of the French proposal for reciprocal advance notice of naval construction (*préavis*). It is not even probable that the British proposal of a common upper limit which the powers will not exceed for a period of six years will be realised.

In respect of qualitative limitation to which, so the First Lord states, "the Admiralty attach far more importance . . . than to quantitative", difficulties are also likely to be encountered, as the attached document clearly shows.

The enthusiasm of the Admiralty for qualitative limitation is perhaps not surprising in view of the fact that the proposals which they are putting forward in that regard are not, from their point of view, strategically disadvantageous, and will in addition tend to prevent competition in types, the results of which would be both expensive, unsettling and possibly dangerous. The Admiralty would like to see a drastic reduction in the sizes of ships, and the total abolition of the submarine, but they have little hope of achieving this objective. Apparently the most that can be expected is a reduction in the capital ship by a thousand tons or so, and, less likely, a smaller reduction in the size of cruisers.

An interesting discussion occurred on the question of British cruiser requirements, which is reported in the attached document. It will be noticed that the Admiralty officials have explained why they were able to accept the figure of 50 cruisers in 1930. They are now adamant, however, on the figure of 70, though of this number they are willing to accept 10 over-age ships. They claim that the United States no longer objects to this higher figure, providing, of course, it is also permitted to build up to it.

A rather interesting statement, not mentioned in the Minutes, was made by the First Sea Lord when he admitted that the present British naval concentration in the Mediterranean was to them a most drastic demonstration of British Naval insufficiency. There has been some suspicion that the present international situation might well be exploited by those in this country, inside and outside the Government, who desired to force on a programme of rearmament. The above statement of the First Lord may bear on this point.

It will be noted that two important points were touched on at the end of the meeting. The first which was brought up by the South African High Commissioner, was the question of single or separate quotas for the Commonwealth navies. The British representatives were anxious that this question should be deferred, in view of the fact that quantitative limitation was not likely to be realised, and therefore the question of quotas need not arise. In this connection Mr. Craigie remarked that a single quota for the United Kingdom *vis-à-vis* the other naval powers, had been put forward tentatively as a feeler to the United States representatives, and resulted "in a terrific outburst on their part".

The other question concerned the fate of Article XIX of the Washington Treaty dealing with the non-fortification of bases in the Pacific. The impor-

tance of this subject will be appreciated, but at the meeting in question it was merely referred to as a "card which might prove useful at the forthcoming Conference in bargaining with Japan".

I have etc.

VINCENT MASSEY

641.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 269 London, December 5, 1935

My telegram No. 250, November 20th, Naval Conference. As request has been made for opening speech to be delivered to-morrow Friday to Foreign Office to facilitate translation, and as no reply has been received to above cablegram, I contemplate, unless instructions to the contrary received, making a very brief statement purely formal in character expressing our desire to make whatever contribution we can to the success of the Conference while referring at the same time to unfortunate consequences which would result from its failure and the abandonment of principle of international agreement for control of naval armament embodied in the London and Washington Naval Treaties. It is hoped here that all opening speeches will be short, formal and non-controversial. The British statement has already been communicated to us and embodies above characteristics. Would also appreciate reply to my telegram December 2nd requesting that Houghton might be added to staff of delegation.

MASSEY

642.

Le secrétaire d'État par intérim aux Affaires extérieures au Haut commissaire
Acting Secretary of State for External Affairs to High Commissioner

PARAPHRASE OF TELEGRAM 234 Ottawa, December 5, 1935

SECRET. Your confidential telegram of the 20th November, No. 250, Naval Conference. The Canadian Government do not feel that there is any initiative they can helpfully take in forthcoming Naval Conference discussions. It appears that preliminary bilateral conversations between Great Powers have established fact that there is no possibility of quantitative limitation, to say nothing of reduction. of naval strengths, and indicate that main task of Conference will be to explore usefulness and feasibility of acceptance of qualitative limitations on naval armaments.

If this interpretation is correct and no serious effort is to be made to secure quantitative limitation, then major Commonwealth problem of single or separate quotas and political implications of any settlement of this question need not now be considered.

Discussion of qualitative limitation has hitherto been confined to battleships, aircraft carriers, cruisers and submarines. As no craft in existing or contemplated Canadian Naval Force comes within any of these categories, it should not be necessary for Canadian delegation to participate in technical discussion of definition of these categories, nor in controversies respecting maximum tonnage and armament of the various types of war-vessel not in Canadian Navy.

Primary responsibility of Canadian delegation, in these circumstances, is negative one of avoiding appearance of commitment to any centralized policy of Imperial Defence.

You may indicate, in formal opening statement, the hope of the Government of Canada that this Conference will make a most determined effort to prepare the way for a general agreement on quantitative limitations and reduction of naval armaments and insist that this should continue to be objective of policy. Ad hoc and temporary agreements on types of naval construction and publicity for building programmes are no adequate alternative to general programme envisaged in Geneva Disarmament Conference—which Canada hopes some day to see realized. However, in the meantime we shall be ready to support, by refraining from building, any policy that promises to avert relapse into anarchy of uncontrolled and competitive armaments. Message ends.

643.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 277 London, December 10, 1935

SECRET. At first plenary session of Naval Conference on December 9th, opening speeches by heads of delegations appear fully reported in the press. Complete texts following by next bag. The proceedings were formal and no business was transacted except that Conference resolved itself into Committee of the Whole and decided to continue as such until circumstances made setting up technical and other sub-committees desirable. It was decided, at meeting held today, Tuesday, that examination of Japanese proposals for a "common upper limit" would be the first task of the Conference. A number of questions were put to the Japanese delegation by other delegates with a view to clarifying the Japanese proposals. The Japanese replied that they were not prepared to answer those questions until tomorrow. It would seem, from the general trend of the discussions, that the Japanese proposals are to be explored on a basis of their practical application rather than their theoretical justification. Ends.

MASSEY

644.

Le Haut commissaire au sous-secrétaire d'État aux Affaires extérieures
High Commissioner to Under-Secretary of State for External Affairs

PERSONAL London, December 13, 1935

My dear Skelton,

I have sent in today's bag a formal despatch on the progress of the Naval Conference.

The Japanese Delegation have asked that on Monday next, the 16th, the Conference should include only the heads of Delegations and as few members of the Secretariat as possible in order that the discussions should be as informal and intimate as possible. The debate will continue in more detailed form the cross-questioning which has taken place hitherto as between the American and United Kingdom Delegations on the one hand and the Japanese Delegation on the other, on the subject of the practicability of the Japanese thesis. The Dominions have, as you know, six Delegations which, with their secretariat, make a very formidable group, and in order that this particular conversation should have the intimacy which comes of a small group it was informally agreed by the Dominion Representatives that only one or two Dominions would attend at this particular session. I, myself, will be among those who will not be there. There is no question, of course, of anyone "representing" absent Delegations whose status at the Conference is in no way changed. The suggestion is by way of an experiment, and I think that with this one exception I shall continue to be present at all the sessions. I thought it right that you should know what was being done in this particular case.

The Conference, as you will gather by my official despatch, is not making much progress, but the atmosphere is very friendly and there will no doubt be an increasing number of opportunities for Dominion Representatives to be of some use.

With kind regards etc.

VINCENT MASSEY

645.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 283 London, December 17, 1935

SECRET. Two meetings were held during the week end between the United Kingdom and Japanese delegates. Substance as follows communicated to British Commonwealth delegates to be considered secret at the request of the Japanese delegates.

The Japanese made two suggestions for reconciling common upper limit with equal security, neither of which would be generally acceptable to the other Powers. Question now considered to be whether discussions on Japanese proposal should be brought to a head as suggested by the United States or adjourned until later. It is generally felt too soon to bring matter to definite issue. Monday afternoon, at meeting of heads of delegations, Japanese again tried to explain practical application of their theory, which was now based on parity plus adjustments for varying vulnerabilities: several delegates pointed out that this would inevitably lead back to ratio system. It was finally proposed by the Chairman to shelve temporarily discussion on common upper limit and [move] next to examination in full Committee of United Kingdom proposal for the [advance] notification of building programme. Ends.

MASSEY

646.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 286 London, December 18, 1935

SECRET. Naval Conference. At 5th Meeting of First Committee held on December 17th, United Kingdom proposal for prior notification of building programmes was placed before meeting and short discussion followed. This proposal was also to include certain qualitative limitations, though this point was not stressed at this meeting. It was tentatively suggested that periodical notification was to be six years, actual period to be determined by Conferences. The United States is ready to consider proposal most sympathetically and thought it might provide possibilities for an agreement. Japan appeared to think proposal would not lead to any reduction of naval armaments, but reserved further observations until meeting on 19th December. If naval period was short, France felt they could agree. Italy reserved observations. Dominion delegations generally welcomed proposal as a tentatively possible step towards some agreement. Ends.

MASSEY

647.

Le Haut commissaire au Premier ministre
High Commissioner to Prime Minister

CONFIDENTIAL London, December 20, 1935

My dear Prime Minister,

Now that the London Naval Conference has adjourned for the Christmas and New Year Recess, it may be of interest to lay before you the opinion of the Canadian Delegation on the proceedings so far, and certain observations on the general trend of the discussions.

I think it is clear that all of the five Powers are agreed upon at least one point—the necessity of finding some sort of agreement to take the place of the expiring Treaties in order to prevent a 'race' in naval armaments.

It is generally recognised by the other four Powers that Japan is likely to present the most difficult problem, though certain indications lead me to believe that their present attitude, obviously dictated by Tokyo, may be considerably modified when we meet again after the adjournment, since they will have had time to communicate very fully with the Japanese Government.

The attitude of the United States to the Japanese proposals is one of impatience, and I think they would be prepared to reject them out of hand at any moment—and they would be backed up by France and Italy. The British view is that the Japanese must be convinced of the impracticability of their proposals by weight of argument rather than by weight of numbers. It is clear that they will refuse to be convinced until they have received fresh instructions from Japan. For the same reason they are avoiding making any direct comments on the British proposal until after the adjournment.

The French and Italians rather give one the impression that they are on the defensive, and that they wish it generally recognised that their naval commitments give them a status equal to the British Empire, the United States and Japan; at any rate they are determined not to take a second place in any agreement which the naval Powers may eventually reach. The French have obviously got the Anglo-German Naval Agreement in the back of their mind, and at the same time consider that they should possess a naval strength greater than that of Italy.

On the other hand, Italy has said that her naval forces should be at least equal to those of France and Germany combined. It is clear that these two nations will never agree to any arrangement involving parity in naval strength.

In general it may be said that while the United Kingdom and the United States are in close accord, and that France and Italy would probably meet the British proposals at least half-way, little more is likely to be achieved until the Japanese are prepared to modify their present attitude.

Yours very sincerely,
VINCENT MASSEY

648.

Le sous-secrétaire d'État aux Affaires extérieures au Haut commissaire
Under-Secretary of State for External Affairs to High Commissioner

PERSONAL Ottawa, December 24, 1935

My dear Massey,

I have read with interest your personal letter of December 13th as well as your personal telegram of December 18th concerning the Naval Conference proceedings. From the latter I infer—though this is not entirely clear—that while you attended the session of December 16th, some or all of the other Dominion representatives did not.

It would perhaps have been too much to hope that one conference might go by without the emergence of this disposition to qualify the character of Dominion representation. I have been wondering just what special circumstances precipitated the Japanese demand this time; for, considering the very general and innocuous nature of the discussions up to date, the stock excuse of a desire for intimacy and informality seems very weak on this occasion, even if it could ever be properly admitted as a sufficient reason for abandoning a principle to which the Dominions have attached such importance. A reading of the minutes of the Conference sent with your formal despatch suggests the reflection that the Japanese may have been irritated by the nature of the interventions of certain other Dominion representatives.

Whatever the special circumstances may have been, the result would be unfortunate if it became a settled practice, and I am glad to note that this particular occasion is regarded as an experiment. By means of informal understandings between the Commonwealth delegations as to the occasions when they might appropriately intervene with observations, it ought to be possible to avoid the special difficulties that might otherwise arise from the character of the Commonwealth galaxy and at the same time to preserve the point of principle.

None of the conferee Powers, so far as I am aware, ever took the position of objecting to invitations being sent to the Dominions. On the theory of the existing Naval Treaties, from which the Conference springs, we are necessary participants and have our several responsibilities to fulfil. The other Powers, having always insisted on that theory, must be prepared to face the attendant inconveniences. They cannot in one breath "explode" at the idea of treating in terms of the United Kingdom navy alone and in the next seek to exclude from the discussions the representatives who alone can speak about the Dominion navies which they insist on bringing into the picture.

Even if occasionally a real need for a small meeting upon subjects not of special, direct concern to the Dominions should arise, the formula "Heads of Delegations" could scarcely be accepted by itself as an appropriate means of meeting the need, since the Commonwealth is not represented by a single delegation and there is no one "head". The smaller meeting, if necessary, might better be described as an informal meeting of certain named heads of delegations, or as a committee of the heads of delegations of the principal naval Powers, or as a committee of heads of named delegations. But if the problem should recur during the Conference I hope you will be able to secure enough delay to submit the circumstances here fully by telegram.

I realise the difficulties and confusions our position lands us in and the whole question will doubtless require much careful thinking. I appreciate having such informal observations and reports as you have sent.

With all best wishes of the Season,

Yours sincerely,

O. D. SKELTON

PARTIE 2 / PART 2

RÉPARATIONS
REPARATIONS

649.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.85 London, June 17, 1931

SECRET. My telegram 10th June, Circular B.83. Following for your Prime Minister. Begins. Political crisis which came to a head on Chancellor's return to Germany has been eased for the time being by the rejection by the Reichstag Committee of proposal to summon Reichstag and to summon meeting of Budget Committee. The Chancellor with full support of the President of the Republic had previously declared that he would resign if either of these two motions were passed. Meanwhile, however, economic condition of Germany gives us cause for considerable anxiety. Our view, which we have communicated to the French and United States Governments, is that situation is more critical than at any time during the last six years. The recent rapid deterioration, partly due to psychological reasons, was gravely alarming at the beginning of the week when the Reichsbank had lost over £30,000,000 during the previous [ten days]. The movement has so far been principally due to the withdrawal of foreign money but any extension of movement to German capital might bring disastrous consequences not only to Germany but to Austria and to Hungary. The raising of the Reichsbank discount rate and Government victory in Reichstag Committee seem so far to have had steadying effect. On the other hand any further delay in settling Austrian Bank troubles may tend to neutralise effect of these two factors. We think that any move for joint action should first come from those chiefly interested. The United States and France seem to be holding the key to position and we fear that if confidence is not speedily restored we may have to face a financial collapse not only in Germany but in Austria which would of course mean complete cessation of reparations payments and serious risk of political and social troubles in Germany and Austria with inevitable reaction on the rest of Europe. Ends.

650.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM A.12 London, June 22, 1931

President Hoover's statement. Following reply is being given by the Prime Minister to a question in the House of Commons this afternoon. Begins. His

Majesty's Government in the United Kingdom cordially welcome the striking declaration made by President Hoover. For their part they desire at once to state that they subscribe whole-heartedly to principle of President's proposals and are prepared to co-operate in elaboration of details with a view to giving it practical effect without delay. The House will not expect me to say more at present stage. Ends.

651.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, June 24, 1931

We have been advised by British Government that they propose to make statement today suggesting that as soon as President Hoover's proposal regarding moratorium has been accepted in principle by the chief creditor governments decision to suspend German reparations should be notified at once to Bank of International Settlements. Statement further indicates United Kingdom prepared to suspend payment of war debts by Dominions owing United Kingdom, in which list Canada is of course not included. British Government adds that they trust that His Majesty's Governments in the Dominions will agree as regards their share of German reparations. We are replying today as follows. Begins. Your telegram 22nd June Circular A.12 and copy of telegram No. 102 from His Majesty's Government in Australia received. Canadian Government has received no request to forego reparation payments and has only been advised of President Hoover's proposals through the press. We shall give immediate consideration when request received. Please advise. Ends.

652.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, June 25, 1931

IMMEDIATE. Following telegram received from Secretary of State for Dominion Affairs. Begins. Your telegram of the 24th June, No. 95. His Majesty's Government in the United Kingdom also have only received text of President's proposal through the press. We understand position is that owing to leakage at Washington President was compelled to make declaration in advance of the usual formalities. State Department warned only representatives of those countries with whom the United States Government have War-Debt Agreements. This warning was made orally and in great haste a

short time before official announcement was made to the world on Saturday evening. We do not expect in the circumstances that text of proposal will be officially communicated by the United States Government and it is on this assumption that His Majesty's Government in the United Kingdom have informed them of their acceptance of proposal in principle. Therefore we hope that His Majesty's Government in Canada may be prepared to agree to procedure described in paragraph 1 of my telegram No. 72 of the 24th June, without awaiting further formal action on the part of the United States Government. Ends. Shall communicate with you further today.

653.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 98 Ottawa, June 26, 1931

MOST IMMEDIATE. In view of the statement in your telegram of the circumstances under which President Hoover's announcement was made His Majesty's Government in Canada have decided to indicate their acceptance immediately without waiting further formal action. I am therefore making the following statement in the House of Commons this afternoon and advising United States Government to the same effect through the Canadian Legation in Washington. Begins. Members of the House are familiar with President Hoover's striking proposal for the postponement during one year of all payments on intergovernmental debts, reparations and relief debts. The initiative which the United States has taken is a notable contribution to the restoration of sound economic conditions throughout the world. If carried out, the suspension of debt payments for the coming year will give a breathing space to heavily burdened countries, help to restore the confidence and hope essential to business revival, and set large sums free for economic reconstruction.

The suspension of German reparation payments would mean, so far as Canada is concerned, that our treasury will be deprived of something over $4,000,000 during the coming twelve months. In view of our own financial conditions, and in view of the fact that our expenditures on interest on war debts, pensions, and other direct war legacies constitute some forty per cent of our whole expenditure, this is not a sum lightly to forego. The Canadian Government believes, however, that the people of Canada would wish us to support the generous proposal of President Hoover, and to take our part in this endeavour to stabilize world conditions. We are prepared therefore to accept the proposal in principle, and to associate ourselves with His Majesty's Government in the United Kingdom in the declaration that as soon as the Proposal has been accepted by the chief creditor governments, we will be prepared to notify the Bank for International Settlements to suspend German

reparation payments on Canadian account. We have advised His Majesty's Government in the United Kingdom and the Government of the United States accordingly. Ends.

654.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 75 London, June 27, 1931

My telegram of the 24th June, No. 72, President Hoover's proposal. It would seem appropriate that in accordance with procedure hitherto adopted notification to the Bank for International Settlements should be effected so far as the various parts of the Empire are concerned by means of Joint Letter of Instructions. If this view is shared by His Majesty's Governments in the Dominions we should be glad if authority could be given to High Commissioners in London to discuss terms of Joint Letter with Treasury and to sign Letter in the form agreed as a result of such discussion.

655.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 101 Ottawa, July 2, 1931

Your telegram No. 75 of the 27th June. President Hoover's proposal. We concur in view that appropriate procedure would be joint letter of instructions to the Bank for International Settlements. It does not however seem possible to frame such a letter at present having regard to the uncertain outcome of discussions between the United States and France. In the meantime we are communicating with the High Commissioner.

656.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM A.14 London, July 7, 1931

IMMEDIATE. My telegram 4th July, Circular A.13. Text of Agreement, reached last night between the French and United States negotiators, has

doubtless been telegraphed through press channels. Following statement is being made by the Prime Minister in reply to a question in Parliament this afternoon Tuesday. Begins. As already announced in the press His Majesty's Government last week approached the French and United States Governments with suggestion that in order to hasten agreement over President Hoover's proposals they were ready to hold meeting of representatives of Powers chiefly concerned at an early date in London. Both French and United States Governments expressed their willingness to attend a meeting if direct negotiations were not in the meantime successful. As the Honourable Members are aware, the negotiations have now resulted in an agreement of principle between the United States and France but have left open several important points which will require to be discussed between Governments chiefly concerned. His Majesty's Government are accordingly renewing their invitation for a Conference in London. Ends.

657.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM London, July 9, 1931

IMMEDIATE. CONFIDENTIAL. My telegram of the 7th July, Circular A.14. Hoover's proposal. At meeting today between Treasury and representatives of High Commissioners, agreement was reached on terms of letter to Bank for International Settlements stating that His Majesty's Government in the United Kingdom, His Majesty's Government in Canada, His Majesty's Government in the Commonwealth of Australia, His Majesty's Government in New Zealand and His Majesty's Government in the Union of South Africa and the Government of India, having accepted President Hoover's proposal in principle, and feeling that even if the German Government were in a position to transfer instalments due on the 15th July to demand it would be manifestly inconsistent with acceptance in principle of Hoover proposal, have decided to refrain in so far as they are concerned from claiming any payments in respect of instalments of both unconditional and conditional annuities in the ordinary course due from Germany on 15th July, without prejudice to the right of bond holders of German External Loan 1924 and the German Government 5½% International Loan, 1930, and on the understanding that terms and conditions of suspension of this payment and of eventual transfer of amounts suspended will be those agreed upon hereafter for giving effect to President Hoover's proposal. Letter adds that this decision has been taken with the object of giving immediate relief to the existing difficulties in Germany in accordance with President Hoover's proposal by a complete suspension of transfer (whether in cash or kind) and that it must not of

course be understood as implying any derogation from the right of these Governments under The Hague Agreement in so far as any payments may be transferred by Germany. Letter in terms agreed has accordingly been sent to Bank today and copies are being communicated to creditors.

658.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM A.15 London, July 10, 1931

IMMEDIATE. CONFIDENTIAL. My telegram 7th July, Circular A.14. As soon as Agreement reached with the French Government as regards date and agenda, we are proposing to issue invitation to Belgian, Italian, Japanese, German and United States Governments to nominate experts to participate in meetings in London with our experts and those of French to consider and recommend measures necessary to give effect to Hoover's proposal. Meeting of experts has been provisionally fixed for 17th July.

659.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM A.17 London, July 16, 1931

CONFIDENTIAL. My telegram of the 10th July, Circular A.15, Confidential. Following for Prime Minister from my Prime Minister. Begins. As you will have seen from the press the financial situation in Europe has rapidly deteriorated during the last few days and is now critical. Events have moved with great speed and the position has tended to become further complicated by many factors that have been brought into play. You will, I know, realize that in the circumstances it has been impossible for me to send you any considered appreciation and indeed any such appreciation would have been immediately invalidated by almost hourly changes that have been taking place. At the present moment conversations are proceeding in Paris but the necessity for action is so imperative that we considered it essential late last night to issue an urgent invitation to representatives of the countries mentioned in the Secretary of State's telegram, Circular A.15, to attend a Conference of Ministers in London on Monday next, 20th July. Dr. Brüning is going to Paris tomorrow for a preliminary talk with the French Minister, Mr. Stimson and Mr. Henderson. We have consequently announced post-

ponement of our visit to Berlin. I will do my best to keep you in touch with developments so far as the shifting situation permits. Ends.

660.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 110 Ottawa, July 17, 1931

CONFIDENTIAL. Your telegram Circular A.17 July 16th. Following for Prime Minister from Prime Minister. Begins. I appreciate your message regarding financial situation in Europe. In view of strain involved upon you by present critical situation, I would not wish you to consider it necessary to take the time required to keep us advised of daily developments at present stage. Ends.

661.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM A.21 London, July 23, 1931

IMMEDIATE. CONFIDENTIAL. With reference to my telegram 22nd July, Circular A.20. The Conference ended this morning having adopted declaration text of which has been given to the press. It will be seen that in general, declaration follows lines indicated in my telegram under reference but that suggestion for rediscounting of internal German commercial bills, which was found to give rise to serious difficulties, was omitted. Mention was also made in appreciative terms of joint guarantee recently placed by German industry at disposal of Gold Discount Bank. Before dispersing Conference agreed that Committee of Financial Experts which had been summoned to consider and recommend measures necessary to give effect to President Hoover's proposal should now proceed with its work. Ends.

662.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 90 London, August 4, 1931

IMMEDIATE. CONFIDENTIAL. My telegram 23rd July, Circular A.21, Confidential. The Conference of Experts appointed to consider measures to give

effect to President Hoover's proposal has now prepared provisional draft of a report to which are attached a draft protocol and a draft letter to the Bank for International Settlements. Copies have been communicated to the High Commissioner in London. A further meeting of Experts Conference will be held on the 11th August to settle finally the terms of these documents, and it is proposed that Protocol and letter to the Bank for International Settlements should be signed by representatives in London of the Creditor Governments on the 11th or 12th August. We hope therefore that if no objection is seen High Commissioner or his representative may be authorized by telegram to sign Protocol and letter at the same time as the representatives of the United Kingdom and the other Creditor Governments. The terms of the Protocol and letter are summarised in my immediately following telegram. It has been agreed that on the occasion of the signing of the Protocol Governments of Italy and the United Kingdom on the one hand, and the French Government on the other hand, should exchange declarations to secure that arrangement proposed for repaying amount suspended during Hoover Year should not invalidate principle that within framework of Young Plan various Creditor Governments shall not be prejudiced by the special allocation to France out of unconditional annuities and to make it clear that all German payments suspended during Hoover Year whether conditional or unconditional shall be repaid in all the circumstances on precisely the same basis.

Canada No. 90, Commonwealth of Australia No. 103, New Zealand No. 89, Union of South Africa No. 50.

663.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 94 London, August 6, 1931

IMMEDIATE. CONFIDENTIAL. My telegram 4th August, Confidential, Canada No. 90, Commonwealth of Australia No. 103, New Zealand No. 89, Union of South Africa No. 50. There is now a possibility that a further Protocol providing for suspension of payments by Czecho-Slovakia under relevant Hague Agreements may also be ready for signature on 12th August. It would accordingly be convenient if authority could be given to the High Commissioner or his representative to sign this Protocol also. Draft of Protocol has been communicated to the High Commissioner.

Canada No. 94, Commonwealth of Australia No. 106, New Zealand No. 92, Union of South Africa No. 53.

664.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 118 Ottawa, August 8, 1931

IMMEDIATE. CONFIDENTIAL. Your telegrams Nos. 90 and 91 of the 4th August and 94 of the 6th August. The terms of the draft protocol and letter appear to be satisfactory and Colonel Vanier, the Secretary of the Office of the High Commissioner for Canada in Great Britain will be authorized by telegram to sign the Protocols and Letter at the same time as the representatives of the United Kingdom and the other creditor Governments. It is understood that the Protocol will take the form of an agreement between Governments and that the Canadian representative will sign in the same manner in which the agreement with Germany was signed by Mr. Larkin.

With regard to the exchange of declarations between the Governments of Italy and the United Kingdom on the one hand and the French Government on the other hand it is understood that this is a collateral declaration which will be annexed or in some other way related to the Protocol and that it will be an agreement that will thus enure to the benefit of the Canadian Government as well as of the other interested Governments.

With regard to the suspension of payments by Czechoslovakia it is assumed that the contributions by Canada to the Agrarian Fund made out of the Czechoslovakian annuities will also be suspended.

665.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 96 London, August 10, 1931

IMMEDIATE. CONFIDENTIAL. Your telegram of the 8th August, No. 118. We note that authority to sign is being given to Vanier. In reply to points raised in your telegram, (i) Protocol will be Governmental in form; (ii) Exchange of Declarations will be placed on formal record but will not be annexed to Protocol. Effect will, however, enure to benefit of Canadian Government as well as of the other interested Governments. (iii) It is clearly understood that Canada will not be expected to make any contributions to Fund A except from amounts received from Bulgarian and Hungarian Governments.

666.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 97 London, August 17, 1931

CONFIDENTIAL. My telegrams of the 4th August and 6th August, President Hoover's proposal. Before the Conference of Experts broke up, a draft protocol relating to the suspension of Hungarian reparation annuities was initialled by the representatives of France, Italy, Belgium, Hungary, Japan and the United Kingdom. Initialling has of course no legal effect and merely signifies provisional approval of draft on behalf of the Governments mentioned. It is now hoped that certain difficulties which have been raised by the Hungarian Government will be satisfactorily solved in the near future and that the way will thus be clear for formal signature of the protocol in the terms of the initialled draft. Copy of the draft as initialled has been communicated to the High Commissioner and, if no objection is seen, it would be convenient if the High Commissioner or his representative could be authorized to sign the protocol at the same time as the representatives of the United Kingdom and the other creditor Governments.

Canada No. 97, Commonwealth of Australia No. 110, New Zealand No. 97, Union of South Africa No. 54.

667.

Le secrétaire d'État aux Affaires extérieures au haut commissariat
Secretary of State for External Affairs to Office of High Commissioner

TELEGRAM 99 Ottawa, August 19, 1931

IMMEDIATE. CONFIDENTIAL. Your telegram No. 104 the 10th August, Dominions Office telegram No. 97 confidential the 17th August. You are authorized to sign the Hungarian Protocol at the same time as the representatives of the United Kingdom and the other creditor Government[s]. You should insure that its terms make it clear that Canada will not be expected to make any contributions to Fund A, except from amounts received from Bulgarian and Hungarian Governments.

668.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 122 London, November 23, 1931

German Ambassador has communicated to the Secretary of State for Foreign Affairs, for the information of His Majesty's Government in the United

Kingdom and for transmission to His Majesty's Governments in the Dominions concerned, copies of a memorandum in which the German Government applies to the Bank for International Settlements for convocation of Special Advisory Committee envisaged in New Plan under The Hague Agreements of the 20th January, 1930.

Full text of memorandum which has been published by the German Government is being sent by mail. Following is summary of its contents. Begins. As early as the beginning of June, 1931, German Government had reached conclusion that in spite of rigorous reduction of expenditures and repeated increases of taxation they would be unable to continue payment of annuities under the New Plan. The hope that the far seeing initiative of President Hoover would bring about a decisive turn in world crisis has not been realized and Mr. Hoover's scheme has proved insufficient of itself to banish danger of collapse. The measures taken as a result of the London Conference, important as they are for creating an immediate alleviation, were by their very nature bound to be of a merely preparatory character. The Conference itself described its recommendations as a first step and urgent need for a more permanent solution was strongly stressed both in standstill agreements and in report of Basle Experts Committee. During the months which have since elapsed the economic and financial situation in Germany has reached a state of extreme tension and the German Government have therefore decided to apply for convocation of Special Advisory Committee. Under the New Plan this application is conditional on German Government making a declaration to the effect "That they have come to the conclusion in good faith that Germany's exchange and economic life might be seriously endangered by transfer in part or in full of postponable portions of annuities". In making this declaration German Government considers it does less than justice to actual position and they feel strongly that Special Advisory Committee which should meet without delay, should examine problem as a whole with particular regard to Germany's private indebtedness. Ends.

Canada No. 122, Commonwealth of Australia No. 144, New Zealand No. 117, Union of South Africa No. 73.

669.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 137 London, December 30, 1931

IMPORTANT. CONFIDENTIAL. My telegram of the 18th December, Canada No. 131, Commonwealth of Australia No. 154, New Zealand No. 133, Union of South Africa No. 82, Reparations. Now that Special Advisory Committee have issued their Report, of which summaries have appeared in the press,

arrangements for proposed Conference of Governments are a matter of urgency. Council of the League of Nations is due to meet on the 25th January and Disarmament Conference on the 2nd February. Close proximity and possible overlapping of these meetings will present great practical difficulties if Reparations Conference is held at The Hague as originally contemplated. In the circumstances, Lausanne has been suggested by the French Government who favour the 20th January as the opening date. This would be quite agreeable to us but we should hope the 18th January might be possible.

As the responsibility for taking initiative rests on no single Government we have instructed His Majesty's Ambassador at Berlin and His Majesty's Representatives in the creditor countries concerned to make suggestions in the above sense to the Governments to which they are accredited and to ask them if they agree to instruct their Ministers in Berne to make joint approach to the Swiss Government.

We should be glad to learn at the earliest possible date whether above suggestions commend themselves to His Majesty's Governments in the Dominions concerned in order that the necessary instructions may be given to His Majesty's Minister at Berne.

Canada No. 137, Commonwealth of Australia No. 156, New Zealand No. 135, Union of South Africa No. 85.

670.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 171 Ottawa, December 31, 1931

CONFIDENTIAL. Your telegram No. 137 of 30th December. Reparations. We are in general accord with the proposals of His Majesty's Government in the United Kingdom regarding the Reparations Conference, and if the proposed arrangements are concluded we expect to provide for representation of Canada by the Canadian High Commissioner in London.

671.

Le sous-secrétaire d'État aux Affaires extérieures au Haut commissaire
Under-Secretary of State for External Affairs to High Commissioner

Ottawa, January 20, 1932

My dear Mr. Ferguson,

With further reference to my letter of January 14th, enclosing a memorandum on the background of the Reparations Conference, I enclose a draft

cable which has been prepared in the Department of External Affairs and the Department of Finance in accordance with the Prime Minister's instructions, but has not yet received his approval in detail. If the Lausanne Conference is held on January 25th, as originally proposed, the cable will be sent you tomorrow with such revisions as the Prime Minister desires. If, however, the Conference is postponed, we shall, for purposes of economy, substitute this written communication, making such corrections as are necessary by telegraph.

Yours sincerely,
O. D. SKELTON

[PIÈCE JOINTE / ENCLOSURE]

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

DRAFT TELEGRAM Ottawa, January [n.d.], 1932

In continuation of our telegram No. 9 of the 15th January 1932, memorandum giving outlines of present state of the Reparations question and of the present general economic situation was sent to you by post, January 14th. You are authorized to take the following position at the Conference on behalf of the Canadian Government:

1. The position of the Canadian Government is substantially different from that of most of the other Governments interested in reparations. There are no outstanding debts due from the Canadian Government to other Governments and all of the Canadian War debts are due to private holders of Governmental securities. All obligations due to other Governments have long since been met. The sole direct Canadian interest is the right, under the Young Plan, to receive thirty-four annuities of approximately four million dollars each, augmented by the deferred annuities under the 1931 protocol. Accordingly, the direct Canadian interest is in the maintenance of the position under the Young Plan. On the other hand the Canadian Government is vitally interested in the general economic situation and in the restoration of confidence and world trade and to that end would be prepared to concur in a general agreement, even although the agreement involved the deferment of payments or the revision of the Young scale of annuities.

2. The report of the Special Advisory Committee indicates that the restricted rights to postponement of transfer and to some extent of payment of the conditional annuities under the Young Plan are inadequate to meet the present situation and, accordingly, the Canadian Government is prepared to agree to a Moratorium covering all annuities, both conditional and unconditional, along the general lines of the Protocol of 1931. It does not appear to be likely that any agreement can be reached for a permanent revision of the Plan and, accordingly, the Canadian Government would prefer a short moratorium agreement, not exceeding two years in duration, and coupled

with arrangements for further action looking to a permanent revision of the Young Plan itself.

3. Revision at the present time appears to be, not only impracticable, but also inappropriate, because it does not appear to be likely that agreement could be reached at the present time on the basis commensurate with the debtor's capacity to pay, under normal economic conditions.

4. With regard to the relations between the moratorium and the Standstill Agreement, the direct Canadian interest would obviously favour a priority for reparations payments. On the other hand, the Canadian Government is prepared to accept any reasonable adjustment with regard to this matter, because it appears that a deferment of private debts until after resumption of reparations payments would defeat its own object and would render impossible the restoration of normal economic conditions in Germany.

5. In any arrangements that are made, the British Empire should receive its proportion of whatever payments are made by Germany and should be credited with its full share of such payments, even if they are re-lent to Germany.

6. With regard to non-German reparations, the Canadian Government has given up all of its share of Bulgarian and Hungarian payments and has no direct interest. On the other hand, it is essential that if any adjustment is made of non-German reparations any obligation of the Canadian Government toward the Agrarian Funds should be released. At present these obligations are satisfied from the Canadian share of the Czechoslovakian payments and any reduction of the latter must be met by a corresponding reduction of any Canadian guarantees to the Agrarian Funds.

7. You are aware that the Canadian Government holds Greek and Roumanian bonds, covering commercial advances. It is undesirable that the position of those bond issues should be presented at the Conference, but if either the Greek or Roumanian Government raises the question, you should take the position that they have nothing to do with the Reparations situation and can only be treated as ordinary commercial debts. In 1931, in order to facilitate the general settlement, the Canadian Government granted a year's moratorium in respect to the Greek debt, but this action was without prejudice and it was not conceded that the transaction came within the category of ordinary inter-Governmental obligations.

672.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D.10 London, May 13, 1932

My telegram of the 12th February, Circular D.6, Lausanne Conference. The Governments parties to Resolution of the 13th February have now agreed

that Conference should open on the 16th June and that attendance at the Conference should in the first instance be confined to Governments parties to the Young Plan. It has also been agreed that His Majesty's Government in the United Kingdom should be responsible for conveying the invitations in this sense to the Governments in question.

In conveying the invitations accordingly to His Majesty's Governments in the Dominions concerned we should be glad to learn as soon as possible whether arrangements proposed will be acceptable to them. It would be convenient if we could also be informed: (i) of intention of Dominion Governments as regards representation at the Conference; (ii) whether we can help in any way in arranging accommodation for Dominion delegates; (iii) whether it is desired that steps should be taken with a view to the issue to Dominion delegates of Full Powers from His Majesty the King.

It is contemplated that the United Kingdom delegates will be supplied with such Full Powers.

673.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

[Ottawa,] June 7, 1932

Sir,

I have the honour to state that you have been appointed Representative of His Majesty's Government in Canada to the International Conference which will open on the 16th June, at Lausanne.

As Representative of His Majesty's Government in Canada, you are hereby fully empowered and authorized to sign, on their behalf, any Instrument that may be negotiated at the Conference in the form of an Agreement between Governments.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

674.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 70 Geneva, June 17, 1932

Following from Mr. Ferguson. Begins. Lausanne Conference officially opened yesterday 16th June, Mr. MacDonald elected President. Two sessions today devoted to opening speeches by delegates. I feel that atmosphere here is

propitious. All delegates frankly recognize gravity of situation and admit absolute necessity of immediate constructive action. Need for haste is being emphasized on all sides. Speeches indicate that delegations almost unanimously oppose declaring of further moratorium and wish to reach a definite and permanent agreement on questions of debts and reparations. Agreement signed last night by Great Britain, France, Italy, Belgium and Japan to reserve all payment of debts and reparations during the period of the Conference without prejudice to whatever final settlement may be reached, seems to have definitely cleared the way for action. Great Britain expects the Dominions to support this agreement but whether by signature or confirming letter has not been decided yet. In the preliminary private conversations Mr. MacDonald made it clear that if amount now received is reduced payments to be made to agrarian fund will be accordingly. Next plenary session of the Conference called for Tuesday. Ends.

675.

Le délégué à Lausanne au secrétaire d'État aux Affaires extérieures
Delegate in Lausanne to Secretary of State for External Affairs

TELEGRAM Lausanne, June 21, 1932

Following from Mr. Ferguson. Begins. My telegram 17th June. I propose subscribing to Declaration of Five Powers by letter addressed to the President of the Conference failing instructions to the contrary before tomorrow evening Wednesday. This Agreement covers only period of Conference and will not itself affect contribution to the Agrarian Fund which is not due until July 1933. I am assured by the representatives of the Dominions Office that policy of the British delegates is that there should be no liability on the part of any Empire Government to contribute to Agrarian Fund except in so far as we are covered by amounts which we ourselves receive. Conversations between five inviting powers practically continuous but little progress seems to have been made yet. Germany refuses to consider payments on any terms. France has made one or two suggestions, on careful examination British have considered impracticable and so persuaded France who are at present working on new proposals. Telegraph instructions. Ends.

676.

Le secrétaire d'État aux Affaires extérieures au délégué à Lausanne
Secretary of State for External Affairs to Delegate in Lausanne

TELEGRAM Ottawa, June 22, 1932

IMMEDIATE. Your telegram June 21st. Your proposed letter approved. Shall send further telegram.

BENNETT

677.

Le délégué à Lausanne au secrétaire d'État aux Affaires extérieures
Delegate in Lausanne to Secretary of State for External Affairs

TELEGRAM 6 Lausanne, July 9, 1932

Following from Stone on instructions from Mr. Ferguson. Begins. Agreement reached here this afternoon, Friday, one o'clock, will be signed tomorrow morning Saturday, when Conference will be adjourned. General satisfaction expressed with nature and scope of settlements. It has been agreed that Germany will at once deposit with the Bank for International Settlements at Basle bonds in the amount of three milliard Reichsmarks. These bonds are not to be marketed before three years and then only provided that no issue shall be made at a rate below 90% and only in such amounts at any one time as will not in the opinion of the directors of the Bank for International Settlements impair German credit. The proceeds from the sale of these bonds are to be paid into a fund of which the use is to be determined later. It is understood, I believe, that a certain percentage of this fund is to be guaranteed for reconstruction in Central Europe. The political formula which is being incorporated in Final Act of the Conference puts an end to reparations as such, but does not specifically cancel Article 231 of the Treaty of Versailles nor specifically grant equality of status to Germany, although it may be said to do both by indirect allusion. It states in part—

> The Powers signatories to this Agreement have assembled at Lausanne in order to consider one of the problems resulting from the war with the firm intention of helping to create a new order permitting the establishment and development of confidence between the nations in the spirit of reconciliation, collaboration and justice. They do not consider the task accomplished at Lausanne which will completely put an end to reparations can alone assure the peace which all nations desire.
>
> These further successes will be more readily won if the nations will rally to this new effort in the cause of real peace which can only be complete if it is applied both in economic and in political spheres and reject all possibility of resorting to arms or violence.

Final documents contain five instruments: First, constitutes agreement with Germany; Second, transitional measures relating to Germany; Third, non-German reparations; Fourth, Resolution relating to Central and Eastern Europe; Fifth, Resolution relating to a World Economic and Financial Conference. The agreement shall not come into force until after its ratification by Belgium, France, Germany, Great Britain, Italy and Japan and then for all Powers which shall have ratified by that date. The transitional measures of the second instrument relating to Germany provides for a continuation in force of Declaration inviting Powers of 16th June; questions concerning non-German reparations are to be dealt with by a post-Conference Commission which is being set up to meet probably in Paris in September and which

will consist of one representative from each interested Government. Meanwhile all debts and reparations payments classed as non-German have been suspended until the 15th December by an agreement similar to that of the 16th June concerning German reparations.

STONE

678.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 126 Ottawa, July 11, 1932

IMMEDIATE. Your telegram this date regarding Lausanne Agreement. You are authorized to sign on behalf of the Government of Canada.

679.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

DESPATCH 82 Ottawa, September 28, 1932

Sir,

Under the provisions of Annex III of the Final Act of the Lausanne Conference it was provided that a committee consisting of one representative of each of the Governments concerned should be set up to consider the group of questions known as "non-German Reparations" and cognate questions viewing them within the framework of a general settlement.

I understand that M. Theunis, the Belgian Minister of State, has accepted the Presidency of this committee and that it will meet in Paris at about the beginning of the month of November.

I have the honour to inform you that you have been nominated by the Canadian Government as its representative on this committee.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

680.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

DESPATCH 98 Ottawa, November 25, 1932

Sir,

With reference to my despatch No. 82 dated the 28th September, 1932, I understand that M. Theunis, the Belgian Minister of State, has resigned from the Presidency of this Committee and that certain proposals are under way for the appointment of his successor. Accordingly, I assume that the Committee will not meet until some time in December.

The position of the Canadian Government with regard to non-German reparations may be briefly outlined as follows:

> The Canadian Government has transferred all of its interest in Hungarian and Bulgarian reparations, which is very small, to the Agrarian Funds, established under the provisions of the Agreement with Hungary for the settlement of certain questions arising out of the treatment of Hungarian Nationals in the neighbouring countries. There is only one series of annuities in which the Canadian Government has an actual interest, and that is in the quota of the Czechoslovakian payments. Czechoslovakia was under an obligation to make payments, based upon the fact that she had acquired extensive government properties belonging to the old Austro-Hungarian Empire. The Canadian Government received substantial annuities from Czechoslovakia and has an important interest in their continuance.
>
> The interest arises from the fact that the Canadian Government, in common with the other Dominions interested in reparations, the Government of the United Kingdom and the Governments of other interested countries, severally guaranteed payments to the Agrarian Funds. These are based upon the Agreement with Hungary, signed on the 28th April, 1930, and it was always contemplated that they would be made out of the Czechoslovakian annuities, which greatly exceed the amounts which are to be paid.
>
> It is fundamentally important that, in any settlement relating to non-German reparations, the Czechoslovakian annuities should not be scaled down to the point where the Canadian Treasury would be called upon to make any payments. If the Czechoslovakian annuities are cancelled, there should be a cancellation of the Canadian liability in relation to the Agrarian Funds. If the Czechoslovakian annuities are scaled down below the point where they will meet the Canadian obligation in respect to the Agrarian Funds, there should be a corresponding reduction in the latter obligation.

Accordingly it is assumed that you will not concur in any action or recommendations by the Committee that are not consistent with this position.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

681.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D.33 London, December 21, 1932

CONFIDENTIAL. My despatch of the 14th July, Circular A.108. Note was received from the French Government 8th December recalling that unexpected circumstances had hitherto prevented assembly of Committee referred to in Annex III of Final Act to Lausanne Conference (non-German Reparations). Note pointed out that it was impossible to hold a meeting of the Committee before the 15th December, the date on which suspension of non-German Reparation payment agreed to at Lausanne was to lapse, and that it seemed difficult at the present moment to consider question "within the framework of a general settlement" as stipulated in Annex III to Final Act of the Conference. In the circumstances the French Government proposed that suspension of payment in respect of non-German Reparations should be prolonged for a further period on the same conditions as heretofore and that the Governments concerned should be invited to undertake that a meeting of Committee as constituted at Lausanne should be held before the expiry of such further period.

Italian Government have also suggested desirability of extending period of suspension.

Note has now been sent to the French Government intimating that His Majesty's Government in the United Kingdom concur in their proposals on the understanding that suspension of payment in respect of German Reparations and war debts agreed to at Lausanne Conference will also remain in force after 15th December. Note then makes suggestion (which is understood to be acceptable to the French Government) that subject to this understanding further period within which payment in respect of non-German Reparations should be suspended should be for 6 months i.e. until the 15th June, 1933.

The other Governments represented on Committee are being invited to concur in this suggestion and we should be glad to learn whether it is acceptable to His Majesty's Governments in the Dominions concerned.

682.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 4 Ottawa, January 10, 1933

CONFIDENTIAL. Your telegram No. 2, dated the 6th January, 1933; your telegram Circular D.33 dated the 21st December, 1932. The Canadian Gov-

ernment concurs in the prolongation of the suspension of payment in respect of non-German reparations until a date not later than the 15th June, 1933.

683.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

TELEGRAM D.9 London, June 16, 1933

CONFIDENTIAL. My telegram Circular D.33, Confidential, of the 21st December, Non-German Reparations. Following communication is being addressed to foreign Governments represented on Committee. Begins. The moratorium in respect of non-German reparations agreed to at the Lausanne Conference lapses on the 15th June. It has not yet proved possible to consider this question within the framework of a general settlement as provided for in Final Act of Conference and, as a consequence, it has not been feasible to arrange for meeting of Committee to be set up for this purpose. In the circumstances, His Majesty's Government in the United Kingdom propose that suspension of payments in respect of non-German reparations should be prolonged for a further period of 6 months, i.e. until the 15th December, 1933, on the same conditions as heretofore and that Committee should meet before expiry of this period. This proposal is made on condition that the various suspensions of payments provided for at the Lausanne Conference themselves remain in force for the same period. Ends.

French and Italian Governments have already indicated their willingness to agree to course proposed. We should be glad to learn by telegraph whether it is acceptable to His Majesty's Governments in the Dominions concerned.

684.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions

Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 65 Ottawa, July 5, 1933

CONFIDENTIAL. Your telegram Circular D.9, confidential of the 16th June. Your telegram No. 54, confidential of the 5th July concerning non-German reparations. His Majesty's Government in Canada concurs in the course proposed.

685.

Le Haut commissaire au Premier ministre
High Commissioner to Prime Minister

TELEGRAM London, December 24, 1934

CONFIDENTIAL. Saw Weyland and Hurst this morning and they gave me the following message to send you. Begins. Referring to previous cablegrams, advised much rivalry and antagonism between Nazi controlled political section and Grain Ministry composed of old party officials. Nazi element vetoed purchase hoping to win laurels later by compelling Canada agree barter, therefore please cable if you are approached through other channels. Understand Australian wool and American cotton barter deals making no progress; also informed various Clearing Arrangements working badly. German millers considering comprehensive plan to enable them to buy Manitobas regularly without Government patronage. Will keep you posted. Ends.

Following item from *Times* fourteenth, reprinted in Berlin,

> Canada hit by German restrictions—From our own correspondent—Ottawa, 13th December. Officials of the Department of Trade and Commerce have been considering problem created for Canadian exporters by German Government restrictions upon exchange, which have rendered it virtually impossible for German buyers to pay for Canadian products. The Canadian export trade to Germany has shrunk to a mere trickle. The possibilities of a system of barter or clearing house for trade payments are being examined.

Hurst says deal practically closed with heads of proper departments, who are more serious minded than new element, but when above despatch appeared in press Nazi crowd who dominate everything broke off purchase negotiations in hope that they may make deal in barter. Hurst thinks you may be approached direct by millers or other interests for barter and strongly urges that you advise us promptly before considering any overtures. Hurst confident they want our wheat and hopes negotiations may be renewed.

FERGUSON

686.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 244 Ottawa, December 26, 1934

CONFIDENTIAL. Your telegrams December 21st and 24th regarding German wheat, and particularly London *Times* report as to possibility of barter agreement. No such agreement is under consideration. Please request London *Times* to state that Canadian Government has not considered and is not now contemplating any proposal for establishing system of barter with Germany.

687.

Le sous-secrétaire d'État aux Affaires extérieures au consul général d'Allemagne

Under-Secretary of State for External Affairs to German Consul General

Ottawa, December 30, 1935

Sir,

I have the honour to refer to your Consulate's communication of the 20th July, 1935, concerning the redemption of the June 1935 coupons of the Young Loan and to the other correspondence concerning the German Government's External Loans, particularly the Young Loan and Dawes Loan (so called).

In 1924 Messrs. J. P. Morgan and Company of New York and their associates, offered for sale $110,000,000 External Bonds of the German Government, payable in New York. This was the so-called American *trenche* of the International Loan totalling approximately $800,000,000 Gold Marks. The proceeds of these bonds were to be applied in carrying into effect the plan of the First Committee of experts appointed by the Reparation Commission for the double purpose of insuring currency stability in Germany, and of financing specie deliveries in kind during the preliminary period of economic rehabilitation. The bonds were dated October 15th, 1924 and mature October 15th, 1949 and carry coupons on a 7% basis.

In 1930 Messrs. J. P. Morgan and Company and associates, marketed $98,250,000 External Bonds of the German Government. This was the so-called American *trenche* of an international loan totaling approximately $300,000,000, issued in various countries in *trenches*. Two-thirds of the proceeds of the Loan represented the capitalization of a portion of the unconditional annuities payable by Germany, according to the new plan (Young Plan), and this part of the proceeds was to be paid to the Bank for International Settlements for the account of the creditor powers concerned. The remaining one-third of the proceeds of the loan was to be utilized by the German Government to provide for requirements of the German Railway Company and German Post Office and telegraphs. These bonds were dated June 1st, 1930, and mature June 1st, 1965, and carry coupons on a 5½% basis.

These two issues are referred to as the Dawes Loan and Young Loan, respectively, and, when the so-called American *trenches* were originally offered, substantial amounts were marketed in Canada. Several large blocks are still held in this Country by financial institutions and, in addition, there are a number of private individuals holding these bonds. The amount held in Canada is substantial, but I have been unable to obtain definite figures and can merely estimate it as between $2,000,000 and $2,500,000.

In the case of the Young Loan, interest was paid in full to, and including the coupon maturing, June 1st, 1934. The coupon due December 1st, 1934.

was paid one-sixth in cash and the balance in "Blocked Reichsmarks"; the coupon due June 1935 was paid entirely in "Blocked Reichsmarks", and these Blocked Reichsmarks could be sold at only 53% of their face value. Similar treatment was accorded to the holders of the so-called American *trenche* of the Dawes Loan.

It is understood that the reason for this action was that difficulties existed in transferring the required funds to New York; nevertheless, it is understood that interest payments were maintained in full on the British, Dutch and Swiss *trenches* of these loans.

An advertisement appeared in the *New York Times,* dated the 7th October, 1935, relating to the coupons of the so-called American *trenches* of the Dawes Loan and the Young Loan falling due on the 15th October and the 1st December, 1935, respectively. The Hamburg-American Line and the North German Lloyd announce their readiness to purchase the coupons at the rate of $25 per $35 face value amount of the Dawes Loan Coupon; and $20 per $27.50 face value amount of the Young Loan Coupons. It is understood that these firms were acting on behalf of your Government, and that this offer was much more favourable to the bondholders than the preceding arrangements. It was, however, restricted to holders of coupons domiciled in the United States on the 1st October, 1935, and, consequently, the Canadian Bondholders were excluded from its operation.

There has thus resulted, in fact, a discrimination against Canadian holders of these securities, which I am confident could not have been intended by your Government.

I fully appreciate the need for imposing strict conditions upon arrangements of this sort, and I also appreciate the difficulties involved in concluding separate arrangements with all of the countries in which there may be some holdings of these particular issues of bonds. I venture to suggest that the most practicable method of rectifying this situation would be to extend the condition so as to cover holders of bonds domiciled in the United States or in Canada on the 1st October, 1935. This would take into account the fact that it is in accordance with ordinary business practice for Canadian investment bankers to participate in marketing operations in association with United States financial institutions, in matters of this sort. It would also avoid the necessity of making a separate arrangement in respect to the Canadian holders which would be most inconvenient, both from the point of view of the holders of bonds and also from the point of view of your own Government in administering the arrangements.

I understand that the reason for the action which was taken with regard to the October and December coupons, was that the change in the general trade position as between Germany and the United States had made transfers practicable. You were, of course, aware that there has been a similar and corresponding change in trade balances between Canada and Germany, which would justify corresponding action on behalf of Canadian holders of these securities.

I should be much obliged if you would bring these matters to the attention of your Government, with a view to obtaining a practical working arrangement that would secure the position of the Canadian holders of these bonds.

I have etc.

O. D. SKELTON

PARTIE 3 / PART 3

COMMERCE DU BLÉ
WHEAT TRADE

688.

Le Haut commissaire au Premier ministre
High Commissioner to Prime Minister

TELEGRAM London, April 17, 1931

PRIVATE AND CONFIDENTIAL. I had two objects in moving Resolution for London Conference. Firstly, there was evidence of strong tendency of Continental Countries reaching agreement between East and West which would be bad for us, and I felt the necessity of introducing new factor to divert discussion; secondly, our Delegations were unanimous in opinion that we could not refuse to tackle marketing problems and make the effort to find improved methods. If Canada does her best she will at least be relieved from responsibility of failure to try. I believe it will be good thing if we do nothing more than show to the world the attitude of the various countries. Discussed matter fully with Ambassador Dawes and I am writing him inviting United States to Conference. Doubt very much if they will attend. Russia promises to come. If no results come from Conference, responsibility can be placed on the United States for refusal to export. I believe it will be excellent if McFarland were sent here as delegate and could be here week in advance.

FERGUSON

689.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 51 Ottawa, May 14, 1931

IMMEDIATE. CONFIDENTIAL. Council has been giving careful consideration to the issues involved in the Wheat Conference which is to meet next week

under your Chairmanship and which we hope will aid materially in clarifying the export situation. Statistical material was mailed by *Duchess of Bedford* and latest reports will be cabled this week.

2. It seems desirable at the outset to make clear that Conference is not seeking to exploit consuming countries in any way, and that its object is to explore the possibilities of remedying an abnormal position which is forcing farmers all over the world to sell below cost of production, limiting the purchasing power of wheat growing countries and demoralizing world trade, which if continued will restrict production and increase prices. The fact that European countries have made large tariff increases against wheat and flour in past two years indicates conclusively they have no apprehension of exporting countries withholding grain supplies.

3. Primary object of Conference is to facilitate orderly and uninterrupted flow of wheat from granaries of the world at a price fair to the consumer and which will enable grower to maintain production. As the basic data are collected nationally, desirable that countries represented at Conference strive to eliminate delays and inaccuracies in reporting statistical information which are a factor in disorganizing market. In the collection and co-ordination of such material, recognize the services performed by International Institute of Agriculture in production statistics and by League of Nations organizations in trade statistics, including endeavour to secure more accurate data of origins and destinations, but urge further efforts in each field, and consultation between Rome and Geneva in mapping out respective fields. As at present advised it does not seem desirable to establish a new statistical organization.

4. We would also favour inquiry into methods of increasing consumption, particularly as survey shows that increase in world production of wheat from 1909-13 to 1925-29 merely kept pace with increase in world population. Possibilities of substitution for other foods, of increased use for feeding, of scientific research into additional industrial uses, use of better loaf which would mean enlarged consumption, and development of non-European markets, appear worth consideration. Reduction of European tariffs on wheat and consequent reduction of wheat and flour prices would be most immediate solution but doubtless not feasible to discuss in absence of importing countries.

5. If reduction of acreage proposed, while it is not possible for us to undertake restriction, no objection to recommendation of reduction, or undertakings by other countries. It may be pointed out Dominion Bureau of Statistics this week estimates practically two million acres reduction in Canadian spring wheat acreage.

6. If proposals for control of export trade are made as seems possible in view of wording of Rome resolution, they do not appear to offer a practical solution. Plan would not be workable without unanimous consent and immediate enabling legislation in every country; it would not meet Canada's special position unless provision were made for absorbing present surplus as well as

new crop and recognition given of importance of quality of our hard wheat; it would involve mechanism of control not in existence here. Recent sugar quota plans not analogous, as channels of marketing limited in case of sugar and agreement made between producers and not between Governments. It would however not be desirable for Canada to take lead in criticizing quota proposals. Imperative remember that 70% of our production is exportable.

7. We note London press report that meetings of Conference will be held in private. While meetings of Commitees might be private, lack of publicity for plenary meetings might create suspicion in consuming countries as well as in some producing areas. We assume if question of publicity arises, it will be decided by Conference itself, but suggest plenary sessions open to public.

8. In view of ramifications of Conference discussions, please keep us daily informed of developments and proposals.

690.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 57 London, May 19, 1931

Gave dinner last night Monday to delegates Savoy Hotel. Those present included Prime Minister, Dr. Addison, Minister of Agriculture, Ambassadors and Ministers of countries represented at Conference, also all High Commissioners of the Dominions. Useful after dinner informal exchange of views. Second plenary meeting held this morning Tuesday Hon. R. S. McKelvie United States delegation read comprehensive statement containing historical survey as well as analysis of wheat situation existing today. This statement was released to the press in the United States by Mr. McKelvie so you will have read it by now. Most important point is that Mr. McKelvie made it clear that Federal Farm Board would continue to market wheat in an orderly manner and that it had no intention of resorting to a policy of dumping. After a general discussion in which several delegations took part Conference considered possible ways and means of approaching question of concerted action and decided finally to refer to Committee of Conference various plans submitted by delegations with instructions to analyze them and to prepare comparative statements showing differences and points of similarity between plans and thus expedite work of Conference when it meets at its third plenary session Wednesday afternoon at 2:30 P.M. The Committee of the Conference is engaged on this task now and will submit its report to the Conference tomorrow afternoon, Wednesday. Some system of quotas in the minds of most of the delegates but it is too early to state definitely probable outcome of discussion.

691.

Le Premier ministre au Haut commissaire
Prime Minister to High Commissioner

TELEGRAM [Ottawa,] May 20, 1931

PRIORITY. RUSH. CONFIDENTIAL. Your telegram No. 57. We cannot agree to sell Canadian wheat on export quota basis. We would not pass legislation providing control Canadian exports by licences or otherwise. If thought desirable establish bureau international information London we would do our part, but we have complete information every day as to available Canadian supplies except that it is an estimate only of quantities on farms.

BENNETT

692.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 58 London, May 21, 1931

Committee of Conference met and discussed generally question of collation of the various plans submitted, of statistics, of the utilisation of wheat and also of possible concerted action. This is what I telephoned to you about Tuesday night. The Conference took note at Wednesday's Plenary Session of reports of Committee and discussed them. At the same Session the Soviet Delegation made a general statement concerning the present wheat situation. As the Soviet Delegation is giving this statement to the press you should have it before you today. Mr. McKelvie, Head of United States Delegation, opposed quotas entirely and spoke in favour of intensive educational campaign among farmers to bring about reduced acreage. Soviet Delegation opposed any scheme which tended to reduction of acreage, contending that she was only recovering from position which had been lost during the war. After a general exchange of views the matter of collation of plans was referred back to Committee of Conference which will study these plans all day today and report to Conference tomorrow Friday.

No chance of fixed prices or quotas on any basis. No Plenary Session of Conference till Friday morning in order to give Delegates opportunity of talking among themselves and Committees time to consider their work. At present looks as if some Committee might be set up to continue after Conference along the lines I discussed with you for the purpose of gathering data and advising their countries and trade generally. Will telegraph after Friday's meeting.

693.

Le Haut commissaire au Premier ministre
High Commissioner to Prime Minister

TELEGRAM London, May 23, 1931

Conference concluded noon today. Unanimously passed Resolution to establish Committee of representatives of all countries to submit to the Governments proposals for establishing Clearing House of information as discussed with you over the telephone. Being Chairman enabled me to avoid any statement defining proposed position. Cabling separate Confidential report and statement.

FERGUSON

694.

Le secrétaire d'État aux Affaires extérieures au Conseiller
Secretary of State for External Affairs to Advisory Officer

TELEGRAM 22 Ottawa, May 4, 1933

CONFIDENTIAL. Your telegram 1st May regarding Wheat Conference. While surprised that Economic Committee made proposal for calling Conference without previously consulting all Governments concerned, we are prepared to participate. High Commissioner and yourself are being nominated to represent Canada. At outset you should without making any explicit statement to that effect hold watching brief and report on any proposals made. High Commissioner will keep in touch with you and will not attend unless circumstances seem to make his presence desirable.

695.

Le Conseiller au secrétaire d'État aux Affaires extérieures
Advisory Officer to Secretary of State for External Affairs

TELEGRAM 142 Geneva, May 13, 1933

CONFIDENTIAL. From meetings of Wheat Committee yesterday, Friday, in which Brebbia of Argentine participated, it would appear that the plan which would commend itself to the representatives of the other three countries would be based on an agreement of two years duration involving a reduction of acreage of 15 per cent for the first year and 10 per cent for the second year. Each country would be free to use its own method of enforcing reduction of acreage. An Advisory Committee would sit in London composed of representatives of the four countries with a neutral Chairman.

The representatives have in mind such reduction as would enable a price to be fixed on a basis [compatible?] with general wholesale price level.

The Australian and Argentine representatives considered that since they have no stocks their reduction should be less than that of the United States and Canada. I explained that, as stocks held in the United States and Canada had been of mutual benefit to all exporting countries, in my opinion such a proposal could not be considered, and I do not think that it will be pressed.

All were agreed that in the event of such a plan being adopted it could not be continued without the co-operation of protected importing countries in making certain tariff reductions and by offering substantial quotas.

696.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 69 Ottawa, May 27, 1933

MOST IMMEDIATE. CONFIDENTIAL. Reference my telegram No. 67 of 25th May. Developments international situation—particularly stiffening of United States attitude—indicate that it will not be possible to maintain indefinitely our non-commital position at resumed conference of wheat exporting countries. Information from Washington is to effect that United States will probably apply processing tax to wheat and abandon efforts for domestic acreage reduction if agreement on international acreage restriction is not reached. If United States should abandon effort at international solution of question, concentrate on maintaining high domestic price and dump surplus on world market—effect on Canadian export prices would be disastrous. In these circumstances, you should endeavor not to take up any fixed position but keep the question open for final disposition by interested countries at World Conference where broader considerations may prevail.

In statement to Committee if other representatives favor reduction, you should indicate that Canadian Government is not disposed to rule international acreage reduction out of consideration, and is studying ways and means by which proposals put forward in Geneva might be translated into domestic policy. Problem is accentuated in Canada by divided jurisdiction of Provinces and Dominion and solution along proposed lines would probably require concurrent legislation which could not be enacted on short notice. "Intentions to Plant" report of Dominion Bureau of Statistics on May 1st indicates that spring seeding of wheat is 6 per cent lower than 1932—a reduction of 1,475,000 acres.

Government consider that effectiveness in raising price of wheat [by] concerted action to reduce acreage on part of export countries would be materially assisted by, and possibly should be conditional on, an undertaking by

principal importing countries to enlarge world demand for wheat by lowering tariffs and relaxing quantitative restrictions on imports. Without assurance of easier access to European markets and without some guarantee that Russia would not once more break world price of wheat, Government could not undertake to impose acreage restriction on its wheat growers. Committee might consider advisability of submitting this aspect of question to World Conference for examination.

Proceedings of Wheat Committee should continue to be secret and its recommendations should be made—ad referendum—for decision by interested Governments at or during World Conference.

Please keep us fully informed of developments.

697.

Le secrétaire d'État aux Affaires extérieures au ministre aux États-Unis
Secretary of State for External Affairs to Minister in United States

TELEGRAM Ottawa, June 1, 1933

Regarding Wheat Conference London. Ferguson telegraphs confirming fixed purpose of United States delegates to reach definite conclusions upon policy of reduction of acreage before World Economic Conference meets. Australia is definitely opposed at present to any scheme of restricting production though Bruce thinks Government might change views if definite practical scheme presented. Ferguson expressed view that difficulties might be increased if attempt was made to formulate and operate a plan without consulting European interests. United States Representative from Berlin, Steere, agreed with his views and expressed opinion that suspicion would be aroused and perhaps opposition created by European bloc. Full telegrams being forwarded by mail.

2. I have sent Ferguson following telegram today. "For your information Premiers of Prairie Provinces have advised me of their willingness to cooperate in carrying out any wheat restriction scheme. Unfortunately this offer was made public in Winnipeg and carried by Canadian Press so that our bargaining position in London will likely be impaired. I agree entirely with your approach to question in conversations with exporting countries and hope it will have effect of keeping question open and Committee in session until Conference opens. I am asking Herridge to point out to Washington the unwisdom of forcing pace in next ten days and to suggest that United States representatives be authorized to continue discussion of restriction scheme until our main delegations reach London.

"I believe arguments for delay, which cannot in the circumstances be long are (1) necessity of ascertaining, informally or through diplomatic channel, the reaction of importing Governments to restriction scheme; (2) desirability

of securing assurance that Russia, even if standing outside acreage restriction, will not prejudice its success by expanding exports; (3) inter relation between any scheme for raising price of particular commodity and general programme of Conference—i.e. the higher general prices can be raised, the less stringent need be any restriction of wheat supply."

3. You will please make representations indicated above.

698.

Le Premier ministre au Premier ministre par intérim
Prime Minister to Acting Prime Minister

TELEGRAM London, June 30, 1933

IMMEDIATE. Just concluded meeting at which United States, Argentine and Australia have agreed to 15% reduction of wheat acreage crop year ending 31st July, 1935. Canadian acreage basis 26,300,000 which less 15% with average yield 17 and 24 hundredths bushels would make available crops about 380,000,000 in 1935. Based on average production, proposal will not entirely eliminate surplus carry-over but situation can be reviewed in the light of next year's experience.

Please communicate above to Brownlee for immediate consideration so that on Monday next I can inform meeting whether or not Canada will agree to 15% acreage reduction.

Proposed plans practicable with the cooperation of Federal Governments in the countries concerned.

Sending further message for you tonight.

BENNETT

699.

Le Délégué au secrétaire-général de la Conférence économique et monétaire
Delegate to Secretary-General of Monetary and Economic Conference

[London,] August 3, 1933

Sir,

I have the honour to refer to the conversations which began in Geneva on the 10th May, 1933, and were continued in London during the sessions of the Monetary and Economic Conference, between representatives of the wheat exporting countries and subsequently between them and the representatives of certain wheat importing countries. It had been hoped that the agreement in principle (summarised in Enclosure 'A') between the wheat exporting countries, which was contingent on the assurance of effective co-operation on the part of the wheat importing countries, would have been completed before the

adjournment of the Conference, by an agreement in principle with the wheat importing countries on the measures they would take to enable the wheat exporting countries to put into effect their plans to establish a balance between the world production and consumption of wheat and to bring about a rise and stabilisation of prices at a level remunerative to the farmer. Unfortunately it was not found possible in the closing days of the Conference to complete the informal conversations which had been commenced with certain importing countries, nor to include in those conversations the other importing countries on whose co-operation the entry into force of the general scheme depends. In these circumstances it was agreed that the interested countries should reassemble in London on the 21st August with a view to arriving at an agreement on the form of co-operation which would enable the exporting countries to undertake as an emergency measure the regulation and orderly marketing of the production and trade in wheat.

As you are aware, it was the consensus of interested opinion that the conversations on this question should in their preparatory stage remain informal, secret and unconnected with the Monetary and Economic Conference. The progress along these lines thus far made encourages the belief that definite agreement may be shortly reached. In these circumstances it is felt that the subject of wheat might properly be included in the Agenda of the Conference.

I have therefore the honour to inform you, on behalf of the Governments of Argentina, Australia, Canada and the United States of America (the major wheat exporting countries) that it is desired to convene an International Conference of wheat importing and exporting countries in London, on Monday the 21st August, 1933, at 10.30 a.m., and that His Majesty's Government in Canada have offered Canada House, Trafalgar Square, London, as a meeting place for the Conference.

I should accordingly be grateful if you would, in your capacity as Secretary General of the Monetary and Economic Conference, arrange to extend to the wheat importing and exporting countries an invitation to be represented at this Conference and would communicate to them, for their information, copies of the enclosed draft statements, enclosures 'B' and 'C'. Enclosure 'B' is a statement prepared by the wheat exporting countries, on the 25th July, for the consideration of the representatives of certain wheat importing countries.

Enclosure 'C' is a revision of that statement which incorporates certain amendments suggested by the representatives of the importing countries consulted, together with certain drafting changes which it is thought will make it a useful basis of agreement for the forthcoming Conference.

In conclusion I may add that I shall be glad to transmit to the other Governments associated with the Canadian Government in this communication any enquiries which you may receive relative to the agenda or arrangements for the Conference on the 21st August.

I have etc.

G. HOWARD FERGUSON

700.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 85 London, August 21, 1933

CONFIDENTIAL. [Conference of] wheat importing and exporting countries opened Canada House this morning, Monday. Twenty nine countries were represented. Prime Minister was elected Chairman of the meeting which proceeded to examine draft statement that had been circulated to importing countries on behalf of overseas exporters. Text follows *en clair* in Part 2. Conference adjourned until 3 o'clock on Wednesday to enable delegates to receive authority from their Governments to initial proposed declaration of policy. In the meantime two sub-committees will examine,

(i) Technical questions arising out of point 3 of draft declaration;

(ii) A question of setting up an Advisory Committee as part of a general agreement . . .

701.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 85 London, August 21, 1933

CONFIDENTIAL. Part 2. Draft text submitted by the wheat exporting countries after discussions with certain importing countries for the approval of the wheat importing countries at the meeting in London on August 21st, 1933.

The wheat importing countries being desirous of cooperating with the wheat exporting countries in order to establish a balance between the production and consumption of wheat by the orderly marketing of the excessive stocks overhanging the market and to bring about a rise and stabilization of prices at a level remunerative to the farmer and in accordance with the principles approved by the Economic Commission of the Monetary and Economic Conference on the report of the subcommission for the coordination of production and marketing, (1) agree henceforth not to encourage any extension of the area sown to wheat and not to take any Governmental measures the effect of which would be to increase the domestic production of wheat, (2) agree to adopt every possible measure to increase the consumption of wheat and are prepared to bring about the progressive removal of measures which tend to lower the quality of breadstuffs and thereby decrease the human consumption of wheat, (3) agree that a substantial improvement in the price of wheat should have as its consequence a lowering of customs tariffs and are prepared to begin such adjustment of customs tariffs when the international

price of wheat reaches and maintains for a specified period an average price to be fixed. It is understood that the rate of duty necessary to assure remunerative prices may vary for different countries but will not be sufficiently high to encourage their farmers to expand wheat acreage, (4) agree that in order to restore more normal conditions in world trade in wheat the reduction of customs tariffs would have to be accompanied by modification of the general regime of quantitative restriction of wheat imports and accept in principle the desirability of such a modification. The exporting countries for their part agree that it may not be possible to make substantial progress in these modifications in 1933/34 but the importing countries are prepared to make effective alterations in 1934/35 if world prices have taken a definitely upward turn from the average price of the first quarter of the calendar year 1933. The objective of these relaxations of the various forms of quantitative restrictions will be to restore a more normal balance between total consumption and imports and thereby to increase the volume of international trade in wheat. It is understood that this undertaking is consistent with maintaining the home market for domestic wheat grown on an area no greater than at present. It is obvious that fluctuations in the quantity and quality of the harvest resulting from weather conditions may bring about wide variations in the ratio of imports to total consumption from season to season.

702.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 86 London, August 25, 1933

CONFIDENTIAL. Wheat importing and exporting countries concluded this evening Friday with signatures by the following countries: Germany, Austria, Belgium, Bulgaria, France, United Kingdom of Great Britain and Northern Ireland, Greece, Hungary, Irish Free State, Italy, Poland, Roumania, Spain, Sweden, Switzerland, Union of Soviet Socialist Republics, Czecho-Slovakia, and Yugo Slavia, Australia, Canada and the United States. Signature of the Argentine is expected Monday. Text of operative Articles which have been made public follow:

Article 1. The Governments of Argentine, Australia, Canada and the United States of America agree that the exports of wheat from their several countries during the crop year August 1st, 1933 to July 31st, 1934, shall be adjusted, taking into consideration the exports of other countries by the acceptance of export maxima fixed on the assumption that world import demand for wheat will amount during this period to 560,000,000 bushels.

Article 2. They further agree to limit their exports of wheat during the crop year August 1st, 1934 to July 31st, 1935, to maximum figures 15% less in

the case of each country than the average outturn on the average acreage sown during the period 1931-1933 inclusive after deducting normal domestic requirements. The difference between the effective world demand for wheat in the crop year 1934-5 and the quantity of new wheat from the 1934 crop available for export will be shared between Canada and the United States of America as a supplementary export allocation with a view to the proportionate reduction of their respective carry-overs.

Article 3. The Governments of Bulgaria, Hungary, Roumania and Yugo Slavia agree that their combined exports of wheat during the crop year August 1st, 1933 to July 31st, 1934 will not exceed fifty million bushels. This undertaking is made on the understanding that the aggregate may be increased to a maximum of fifty four million bushels if the Danubian countries find that such a supplementary quota is required for the movement of the exportable surplus of the 1933 crop.

Article 4. They further agree that their combined exports of wheat during the crop year 1934-35 will not exceed a total of fifty million bushels and recognize that the acceptance of this export allocation will not allow of any extension of the acreage sown to wheat.

Article 5. The Government of the Union of Soviet Socialist Republics while unable to give any undertaking in regard to production of wheat agree to limit their exports for the crop year 1933-34 to a figure which will be arrived at upon the completion of negotiations with the Governments of the overseas wheat exporting countries. They also agree that the question of their export of wheat during the crop year 1934-35 shall be the subject of further negotiations with the wheat exporting countries represented upon the Advisory Committee.

Article 6. The Governments of the wheat importing countries signing Agreement accept Declaration of Policy submitted by the exporting countries and cabled in my telegram of the 21st August, subject to the following Declaration:

> It is recognized that measures affecting the area of wheat grown and the degree of protection adopted are primarily dependent upon domestic conditions within each country and that any change in these measures must often require the sanction of the legislature. The intention of this agreement is nevertheless that the importing countries will not take advantage of a voluntary reduction of exports on the part of the exporting countries by developing their domestic policies in such a way as to frustrate the efforts which the exporting countries are making in the common interest to restore the price of wheat to a remunerative level.

Article 7. The countries participating in the Conference agree to set up a Wheat Advisory Committee to watch over the working and application of this Agreement. The functions, organization and financial basis of this Committee are set out in Appendix B.

703.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 114 London, September 19, 1933

Wheat Advisory Committee. United States Ambassador appointed Chairman. Cairns, Secretary, salary 24,000 gold francs. Only work done of routine character organising Secretariat. Expect Committee will adjourn today.

704.

Le secrétaire d'État aux Affaires extérieures au haut commissariat
Secretary of State for External Affairs to Office of High Commissioner

TELEGRAM 121 Ottawa, September 23, 1933

Please convey to the Board of Trade following message. Begins. We are informed that France bonuses flour exports to Great Britain to the extent of twelve shillings per hundredweight. Apparently imports for last eight months were the equivalent of five hundred and thirty thousand barrels as against one hundred and twenty five thousand barrels for the same period in nineteen thirty two. Imports increased in August this year ten times over same month last year and if our figures are correct in July fifty times over July last year. This flour thus subsidised is being purchased by British millers and to the extent of such purchases operates to frustrate the preference on Empire flour. Suggest this constitutes violation Article twenty one of Ottawa Agreement and that appropriate action should be taken immediately. Ends. Please indicate that this is an unofficial expression of our appreciation of the situation. Before taking the matter up with Board of Trade communicate with High Commissioner Bruce of Australia and make any such variations in suggested communication as meet with his approval with a view to his joining in the representations made to Board of Trade. You may show him this message.

BENNETT

705.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 124 London, September 25, 1933

CONFIDENTIAL. Reference my telegram No. 111 of the 16th September, Devinat's telegram to Cairns. Devinat informs me as follows. Begins. Despite all possible measures taken by France to cope with domestic wheat surplus

there still remains surplus of two and one half to three million quintals for export. To give satisfaction to the Prime Minister, Queuille, Minister of Agriculture, stopped wheat exports to United Kingdom until conclusion of conversations which had begun with Canadian representative with a view to reaching agreement respecting sale of French wheat in the United Kingdom and following Prime Minister's promise to send representative to Paris as soon as possible to discuss terms of such agreement. Stopping of exports to the United Kingdom severely criticised in France and Queuille is sure to be vigorously attacked when the French Parliament reassembles early in October. Queuille therefore anxious to reach agreement with Canada for disposal of French wheat in United Kingdom and urgently requests sending immediately Canadian representative to Paris. During conversations in London the following basis for an agreement was explored.

First, France would limit exports to the United Kingdom during 1933-1934 to half million quintals.

Secondly, sale of this French wheat in the United Kingdom would be entrusted to a Canadian organisation but France would agree to finance holdings of wheat in France until convenient disposal by organisation.

Thirdly, France might consider paying French producers for wheat granting facilities to organisation to pay France as sales effected.

Queuille will greatly appreciate being advised when and whom Canada is sending as representative and expresses wish that Cairns be sent, stating new appointment will make no difference. Ends.

Have discussed Devinat's statement with Cairns who says in conversations with Devinat he made it clear that he considered above French proposal No. 2 impractical and that having been asked by the Prime Minister to go to Paris he is ready to fulfil promise if requested, but in view of new duties he would prefer personally to remain in London. Please cable instructions.

706.

Le secrétaire d'État aux Affaires extérieures au haut commissariat
Secretary of State for External Affairs to Office of High Commissioner

TELEGRAM 124 Ottawa, September 26, 1933

CONFIDENTIAL. Your telegram No. 124 September 25th regarding French wheat proposals. I do not understand Devinat's statement that I had promised to send representative to Paris to discuss terms of an Agreement for the sale of French wheat in the United Kingdom. My understanding was that our representative would discuss the wheat situation created by French exports to United Kingdom. I have already indicated in telegram No. 121 September 23 my view that continuance of export of French subsidized flour would require us to request application of Article 21 of Trade Agreement. Suggestions put forward by Devinat do not appear practicable but I should like to be advised

whether first proposal for limiting exports to the United Kingdom from August 1, 1933 to 1934 to one half million quintals include wheat equivalent of flour exported.

I think Cairns should arrange to visit Paris for further discussion. He can inform Stone as to position. Matter can then be considered by High Commissioner on his return early in October.

707.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 131 London, September 27, 1933

CONFIDENTIAL. Your telegram No. 121 of the 23rd September. Message was communicated to Board of Trade 25th September, Australia supporting. I am advised today by Board of Trade that matter receiving attention.

Your telegram No. 124 of the 26th September. I approached Cairns for interpretation of French proposal to restrict wheat exports. Cairns telephoned Paris, Devinat stated that no subsidy of any kind on wheat or wheat flour exports to the United Kingdom have been granted by the French Government since the opening of Wheat Conference, Canada House. Exports of flour milled from foreign wheat which enters France duty free under temporary admission system receives no Governmental assistance whatever and this trade is on exactly the same footing as export of flour milled in the United Kingdom from imported wheat. Part of recent imports of flour by the United Kingdom from France must be of the latter type. Your understanding of purpose of Canadian representative's visit to Paris is accepted. Proposal regarding one organization in the United Kingdom to handle French wheat put forward as suggestion possibly helpful but no objection to dropping it if considered impracticable by Canada. French proposal to limit all exports from potentially exportable surplus of 13 million quintals during August/July 1933/1934 to 2 to 3 million quintals and to limit exports to the United Kingdom to half million quintals includes wheat and flour expressed in terms of wheat. Cairns proceeding Paris Tuesday, October 3rd. Am advising Stone.

708.

Le ministre en France au secrétaire d'État aux Affaires extérieures
Minister in France to Secretary of State for External Affairs

TELEGRAM 65 Paris, October 4, 1933

Stone and Cairns saw Queuille, Minister of Agriculture, and Devinat, Tuesday night. Queuille completely confirmed all information given Cairns by

Devinat as reported in Dominions cables No. 131 and No. 133 except that Devinat was not clear on distinction between identical and equivalent as explained correctly in Paris despatch No. 227 of the 13th July.

Queuille states that total exports of flour to Great Britain from France during January–August inclusive 1933 were 408,000 quintals, of which 398,000 resulted from temporary admission system, all of which imported from Canada and only 10,000 quintals French wheat. He added that French public opinion was strongly in favour of abolition of temporary admission system but explained that it had been retained largely as a result of official Canadian protests against its abolition. In order to allay any fear that French Government gives any financial inducement to facilitate export of wheat and flour resulting from temporary admission, he would give an undertaking, if it would facilitate reaching an agreement, that total of such exports from France to all countries would not exceed imports into France of Canadian wheat under system. Was entirely opposed to any form of Governmental assistance being accorded temporary admission system, and Minister took strong exception to such assistance which according to his information is now being granted in Germany and Italy. He stated that present French regulations required that 79 instead of 70 kilos of flour be exported for each 100 kilos of wheat imported under temporary admission virtually precluding all wheat except Manitoba No. 1, and he held that this virtual monopoly enjoyed by Canada of market created by temporary admission system would provide this year for absorption of three million quintals of Canadian wheat.

Queuille confirmed French offer to restrict exports of French wheat and wheat flour to the United Kingdom during August–July 1933-1934 to 500,000 quintals and stated that if Canada wished he would make full amount of wheat by refusing export permits for flour. He stated that maximum premium granted on such exports would be 80 francs per quintal and that if an agreement were reached he thought this would be the only financial assistance accorded such exports. If, however, no agreement were reached he felt sure that French Cooperatives would supplement this subsidy as in law they were fully entitled to do. Funds of such supplementary assistance would be available from Cooperatives' financial reserves and future carrying charge of 9 francs per quintal paid to Cooperatives by Government on any stored wheat.

He would only adhere to previous proposal made by Devinat upon his instructions that France would agree not to sell any part of 500,000 quintals in Great Britain below a specified price, on condition that a similar arrangement be entered into with Germany.

Minister of Agriculture stated that no permits whatever had been granted for exportation of either wheat or flour to Great Britain since he gave understanding to Prime Minister not to do so pending completion of negotiations. He is extremely anxious to reach an agreement at the earliest possible date as he stated it was imperative for him to have situation clearly defined before opening of French Parliament on the 17th October.

We have discovered important discrepancies between French and British official data, especially regarding wheat, and are now awaiting complete verification and explanation of statistics by both sides. Have also submitted in writing questions covering entire situation and expect written reply tomorrow from Department of Agriculture. Queuille leaving Paris tonight Wednesday until Monday morning. We expect to have further meeting with him Monday night or Tuesday and would therefore appreciate definite instructions as soon as possible on basis of foregoing information.

709.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 44 Ottawa, October 8, 1933

Your telegram No. 65, French wheat and flour exports. Please convey to Minister of Agriculture and Devinat our high appreciation of spirit in which they have approached question. We would regard it as reasonable arrangement if French Government, (1) restricts exports wheat and flour for crop year beginning August 1st, 1933 and ending July 31st, 1934, to five hundred thousand quintals, and (2) agrees not to sell any part of such five hundred thousand quintals in Great Britain except at specified price to be agreed upon. Canadian Government cannot, however, undertake in any way to forecast or assume action that may be taken by Government of the United Kingdom in connection with imports of any commodities.

We note that the second proposal is conditional upon Germany entering into similar arrangement. We do not know to what extent that may be possible but suggest Cairns canvass field and ascertain if such arrangement can be made. For this and other reasons no definite commitment should be made before advising us further and discussing with High Commissioner on return to London. Question of informing British Government will also require consideration.

710.

Le ministre en France au secrétaire d'État aux Affaires extérieures
Minister in France to Secretary of State for External Affairs

TELEGRAM 66 Paris, October 11, 1933

Your telegram No. 44 concerning wheat. On the suggestion of the High Commissioner Stone conveyed your views to French Minister of Agriculture

yesterday evening Tuesday, Queuille agreed that a mutually satisfactory price would have to be fixed but he feels that no arrangement of this nature would be of any advantage unless Germany becomes a party to it. He therefore heartily welcomed your proposal that Cairns canvass the field. He anticipates eventual adherence of all countries exporting wheat to the British market to such an arrangement which he considers moreover definitely within the scope of the purposes of International Wheat Committee.

Minister of Agriculture appreciates that the Canadian Government cannot forecast the action which may be taken by the Government of Great Britain and when Stone suggested possibility of Cairns "canvassing field" he immediately assumed that British authorities would be approached first since they do, as he pointed out, hold the key to their own home market. This information has been communicated to Cairns in London who is consulting with the High Commissioner this morning Wednesday.

711.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 142 London, October 12, 1933

Cairns has seen United States Ambassador and United Kingdom representatives Wheat Advisory Committee, and has communicated by telephone with Devinat. All agree that Cairns should carry on conversations with all parties including German in his capacity as Secretary of Wheat Conference Committee. Please cable if you concur. As you know, in Paris Cairns acted solely for the Canadian Government.

712.

Le secrétaire d'État par intérim aux Affaires extérieures
au Haut commissaire

Acting Secretary of State for External Affairs to
High Commissioner

TELEGRAM 133 Ottawa, October 14, 1933

Your telegram No. 142 of 12th October. Prime Minister concurs in arrangement that Cairns should carry on conversations in his capacity as Secretary of the Wheat Conference Committee.

713.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 165 London, November 24, 1933

Your telegram No. 44 to Stadacona. Germans informed Cairns in Berlin that they strongly favoured French proposal regarding export price providing that all exporters adhered to arrangement. They state that they can carry out spirit and letter of such an undertaking and expect soon complete similar arrangement with Poland regarding rye. Cairns subsequently discussed matter with Devinat in Paris and learned that contrary to his understanding French had assumed that all countries would be party to arrangement rather than only European exporters of subsidized wheat. Queuille pleased with German attitude regarding his proposal and tentatively suggested basic minimum price of 50 French francs per quintal No. 2 Manitoba as compared with present price of about 43 francs. Queuille also stated that France could guarantee observing such arrangement. Matter as tentative proposal is on agenda of Advisory Committee meeting Monday, 27th November. Cairns informs me Russian representative suggested similar arrangement to him privately some weeks ago. Expect only preliminary discussion regarding practicability of proposal but would appreciate cablegram giving your views.

714.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 155 Ottawa, November 26, 1933

IMMEDIATE. Your telegram No. 165 of the 24th November regarding wheat exports. Cairns' report of French and German attitude indicates attempt to evade issue which was and is simply situation created by shipment of subsidized wheat or flour by France and Germany to United Kingdom market. Previous French offer to limit amount they ship and fix minimum price acceptable. New proposal making agreement contingent on all exporting countries fixing export prices has no bearing on situation of which we complained. As regards latter proposal in itself, while of course any increase in wheat prices is desirable, Cairns will recognize necessity of utmost caution. If any idea of universal price-fixing gets into mind of British miller whole existing attempt to work out international wheat regulation would be jeopardized. Better bring discussion back to French and German shipments to United Kingdom.

715.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 156 Ottawa, November 28, 1933

IMMEDIATE. Your telegram No. 167 of 27th November regarding Wheat Advisory Committee. You should indicate that we would view with greatest alarm any increase in subsidized exports, our understanding being that this practice would be reduced by degrees and entirely eliminated at early date.

2. We would of course favour higher minimum export prices if agreed to by substantially all countries. Notwithstanding what Cairns has said we know that purchasing interests in Great Britain are waiting to charge world monopoly. If the importing countries were agreeable situation would be much clarified. So far as our position is concerned you know that having regard to conflict of jurisdiction between Dominion and provinces as indicated in newsprint case, we could make no commitments at present stage.

3. All practicable proposals looking to increased consumption highly acceptable to Canada. Consumption of wheat for animal feeding purposes has very substantially increased here.

4. Please advise what progress is being made in securing definitive agreement as to Russian quota. If agreement with Russia possible it may be advisable to prepare a brief revised allocation of quotas among exporting countries which could be published taking place of secret June draft.

5. Strongly feel you should indicate to Cairns desirability of prior consultation at earlier date before launching discussion on important subjects such as universal minimum export price. He should not attempt to deal with matters of policy. Government of this country will assume responsibility for any repercussions.

6. Above is transmitted for you and for guidance to Cairns. Except 1 and 3 not of course intended to be used as statements to Committee.

716.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 169 London, November 29, 1933

Your telegram No. 156, 28th November. Wheat Advisory Committee adjourned till the 22nd January. By unanimous consent two sub-Committees set up as follows. First sub-Committee to consider the effect of subsidized exports of wheat and flour and also questions arising out of proposals made by the French and German delegations for fixing minimum export prices.

Composition of first sub-Committee as follows:

Importers of United Kingdom, France and Germany, exporters of Canada, Australia and Hungary. Sub-Committee to hold its first meeting on the 12th December in London under United States chairmanship.

Second sub-Committee to consider measures which might be recommended for adoption to increase consumption: see my telegram No. 167 of the 27th November for enumeration of suggested method.

Second sub-Committee's composition as follows:

Importers, the United Kingdom, Italy and Germany, exporters the Argentine, Australia, Roumania and Yugo Slavia, to meet at Paris January 8th under French chairmanship.

Terms of reference both sub-Committees are to obtain all possible information for and against proposals, and to explore all avenues for consideration by the main Committee, but not to make definite recommendations.

In preliminary discussions regarding effect of subsidized exports, Canadian and Australian points of view supported by Switzerland and the United Kingdom, both of whom proposed that if minimum export prices for all countries found impracticable might be applied to only subsidized exports, but latter proposal not acceptable to France and Germany. French and German proposal regarding minimum export prices formally supported by the United States and Hungary.

Committee fully aware of necessity for caution regarding minimum export prices proposal and unanimously agreed to avoid any publicity and to call first sub-Committee "sub-Committee on market conditions".

717.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 164 Ottawa, December 11, 1933

IMMEDIATE. CONFIDENTIAL. Your telegram No. 169 November 29th, wheat subcommittee. Present conditions accentuate necessity of speedy disposition of overhanging carryovers. Useless to expect this to be accomplished with artificially raised prices at inception of programme. We fear that any proposal looking to arbitrary increase of prices by concerted action of exporting governments would be misunderstood and create difficult situation. In any event no action in this direction could usefully be taken unless definite prospect of being acceptable to chief importing countries, and unless question of relation of wheat and flour prices also solved. My personal opinion is that until the second stage of our plans is reached, to fix universal minimum prices is impracticable. Having regard to general expressions of desire for ultimate increase of wheat prices, believe end best served by confining present discus-

sion of minimum prices to cases of subsidized exports. You may at same time assure other countries that we are vitally interested in higher prices and always prepared to examine sympathetically any definite plan looking to that end which is capable of being successfully administered under present carryover conditions.

718.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 18 London, January 26, 1934

CONFIDENTIAL. Vanier's letter January 5th. Wheat Advisory Committee meets on Monday January 29th, summary of Agenda follows: Firstly, approval of Minutes of second session of November 27th, secondly, review of world wheat situation during period December-January, thirdly, review of results to date of Wheat Agreement, fourthly, consider Hungarian Government's request for increase in export quotas, fifthly, consider report of sub-Committee on Market conditions including subsidies and minimum export price, sixthly, consider report of sub-Committee on wheat consumption, seventhly, other business.

Documents in regard to first, fourth and fifth items already forwarded you. Please cable instructions to reach us Monday morning with particular reference to the following:

(*a*) Do you approve Minutes of Second Session?

(*b*) Have you any statement to make on Item No. 2 and Item No. 3 of Agenda?

(*c*) What is your attitude towards Hungarian Government's request for increase of export quotas?

(*d*) What action do you wish taken on report of sub-Committee on market conditions dated 2nd January with special reference to suggested draft agreement appendix, Section II?

(*e*) As report of sub-Committee on wheat consumption is not yet in your hands presume no action possible for the time being except reference to Governments. Unrevised draft report sent to you on *Aquitania* January 24th.

(*f*) Reference acreage reduction, do you wish any amplification of statement of Minutes of second session, page 11?

(*g*) Do you concur in statement reference reduction of export quotas, page 53, Minutes of second session?

(*h*) Your telegram No. 154, November 25th, can you give any further replies to questions 1, 2, 6, 7, 12, 13 and 14. Would appreciate instructions as definite as possible as understand some representatives may press for positive action.

719.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 14 Ottawa, January 28, 1934

IMMEDIATE. Your telegram No. 18, January 26, confidential. Meeting of Wheat Advisory Committee. Following observations on agenda.

(*a*) Approve Minutes Second Session.

(*b*) We could not support any proposal to reduce world demand figure below 560 million with consequent revision of quotas. Doubt force of argument that excess export offerings based on existing quotas primarily responsible for autumn fall in prices. Other factors such as currency fluctuations and hand to mouth purchasing contributed to it. Expert opinion here feels that it is still too soon to say that 560 million figure is too high, but that in any case the overestimate would not be enough to justify revision downwards; especially as such revision would not be likely to have any immediate effect on the price or supply situation.

Our latest information shows that world shipments closely following course visualized in adoption of 560 million figure. In first twenty-five weeks of 1933-34 season they had totalled 250 million bushels. If the average of the last seven seasons is maintained, year's total shipments will be approximately 530 million. But probabilities of increase over this figure seem to outweigh chances of decrease as Southern Hemisphere movement is later than usual and United States has shipped only about one-quarter of its quota. On the whole this seems to be no time to tinker with export quotas which do not at present seem to be in need of revision. For your information Canadian exports of wheat and wheat flour for six months of 1933-34 crop year will approximate 115 million bushels. If the rate of past years is maintained for next six months, our exports will be 191 million bushels. Peculiarities of present shipping season might well bring this figure up to 200 million, but in any case our quota seems to be a fair estimate of our trade, and error if any will be not more than 5%.

We are strongly opposed to any proposal for quotas for periods less than a year as this would multiply export difficulties and upset financial arrangements for export movements. Also distance of exporters in Southern Hemisphere from alternative markets and difficulties of securing suitable charterings for shipments restricted in this way would make quotas for short periods quite impracticable.

(*c*) Hungarian request for increased quota; question of allocating total Danubian quota among individual states does not concern overseas countries who negotiated with Danubian states as a unit. Our single interest is that total exports from these countries should not exceed figures accepted in Article 3 of agreement which we consider fair. Nor could we presently approve

raising 560 million figure to give Hungary a larger quota. Present difficulties are largely due to action of Danubian states on September 15th in dividing a quota of 54 million. They should have divided 50 million, leaving the four million as contingent quota to take care of just such a situation as now confronting Hungary. Possibly compromise might be found in applying agreed percentage to 50 million total and transferring supplementary four million to Hungary. While earnestly hoping for some solution, we feel that this is responsibilty of Danubian states themselves.

(*d*) Report of Sub-Committee on Marketing Conditions:

(1) Subsidized exports. Strongly support view that existing forms of direct export subsidies have had price depressing influence as well as suggestion that countries concerned should consider to what extent they can abandon this form of stimulation of exports. Do not consider that any action taken in this direction should depend on acceptance of minimum export price scheme.

(2) Minimum export price proposals. We are, of course, strongly in favour of any practical proposal to raise wheat prices. We doubt, however, whether minimum price scheme proposed would satisfactorily achieve this purpose, having in mind grave administrative difficulties that would arise; also, as report of Sub-Committee states, minimum prices are not a solution for the main problems of the wheat situation. There are certain points that would need careful examination, some general and some applying especially to this country, e.g.—

A. Scheme such as outlined in Appendix to Sub-Committee's report would necessitate drastic changes in our present methods of marketing in order to give government power to control prices.

B. Administration of minimum price schemes much easier in countries where governments already controlling or supervising exports.

C. There would be constitutional difficulties in Canada regarding provincial jurisdiction which would require careful consideration.

D. Question of effect of minimum price schemes on existing surplus stocks and current domestic sales would need examination. The dealer should not be allowed to receive benefits intended for producer.

E. There is difficulty of satisfactorily establishing spreads between categories. Page 26 of Sub-Committee report shows that Canadian wheat would be subject to highest minimum price and margin over lower priced wheat could not be reduced even if circumstances necessitated it thereby making more difficult our competitive position. In this connection, in lieu of scheme of minimum prices for separate grades, suggest you might sound out Committee as to single minimum price below which no kind of wheat would be sold.

(*e*) Report of Sub-Committee on wheat consumption. Skelton's letter to Vanier, November 28th, shows our per capita consumption last year relatively high.

(*f*) A further Conference held last week by Dominion and western Governments at which latter undertook immediately to make survey of 1934 crop situation upon which final decision can be based as to administrative and legislative action necessary. For your personal information you may act on assumption that the reduction contemplated for us in the agreement will be accomplished partly through administrative action and partly through natural and financial causes.

(*g*) We concur. See (*b*) above.

(*h*) Questions 1, 2 and 7 see above: 6, nothing to report yet; 13, will report later; 12, so very little imported wheat used that statistics not kept; 14, no financial assistance given.

Re McMurray's draft of export agreement. Feel this unsuitable as it stands. Are considering this question and will communicate later.

720.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 25 London, February 1, 1934

CONFIDENTIAL. My telegram No. 22 of the 30th January, and your unnumbered message. Idea of suggesting another Wheat Conference has been abandoned by Committee. Instead it has been proposed and generally accepted that Committee should convene a general meeting of States parties to Final Act under paragraph 10, Appendix B to Final Act, although Vanier warned Committee of danger of convening any body whether called Conference or general meeting of Advisory Committee, as he considered failure to achieve any further important agreement would be serious and would create confusion. However, United States and Australia, supported by France, are determined to press for quick action and we feel sure Committee will either convene such a general meeting or suggest to Governments that such be convened. Instead it might be possible to persuade Committee to consult Governments as to advisability of convening such general meeting but United States and Australia, and we believe France would strongly oppose latter alternative, which, however, we might succeed in having accepted by majority of Committee if you desire. The purpose of the United States, Australia and France is to hold meeting within six to eight weeks in Rome if possible in order to obtain Italian goodwill. In addition to suggestion to convene general meeting it is proposed that our Committee's Report should state *inter alia,*

(*a*) That wheat situation is such that it requires further action to that contemplated by London Wheat Conference;

(*b*) That any further action should be regarded as complementary to and dependent upon carrying out of wheat agreement obligations;

(*c*) That new forms of action cannot diminish importance for all countries of adjusting production to world demand and of export countries continuing to regulate import demands by means of quotas;

(*d*) That Governments maintaining internal prices above world parity or utilising other methods to relieve financial necessities of wheat farmers should be asked to take measures to prevent such action from interfering with adjustment of production to world necessities, and to give consideration to what steps might be taken to make such financial assistance to reward reducing production and to consider to what extent the stimulation of subsidized exports can be abandoned;

(*e*) That it is desirable to reach agreement on minimum export prices if such agreement is feasible and that question of quarterly quota be considered as a method of reinforcing and preventing evasion of minimum price proposals;

(*f*) That Reports of Sub-Committees on market conditions and wheat consumption be attached to Report as Appendices for consideration by general meeting. (a) to (f) above inspired by United States and Australia would constitute terms of reference for general meeting. Vanier's opinion is that a general meeting of Advisory Committee will not be able to reach agreement on (d) (e) (f) and that statement contained in (a) is dangerous in the event of failure to achieve further action. Please cable instructions to arrive not later than Friday morning on the following points:

Are we to concur:

(i) in Committee's decision to convene general meeting, or

(ii) in Committee's recommendation or suggestion to Governments that such a meeting be convened, or

(iii) shall determined attempts be made to persuade majority of Committee to consult with Governments on the advisability of convening meeting. If not successful in obtaining (iii) will (i) and (ii) be opposed or shall we abstain from approving report. Would also appreciate your comments on place and earliest date for general meeting if acceptable also on the various items of proposed report which Vanier considers tendentious.

721.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 23 Ottawa, February 1, 1934

CONFIDENTIAL. Your telegram No. 25 this date. We cannot concur in suggestion that Committee shall convene a general meeting or suggest to Gov-

ernments that such be convened. This would be Wheat Conference under another name which we consider unwise at present. Any such meeting would lead to attempts to reopen and revise whole wheat agreement. This obviously undesirable now. Present agreement should be given wider opportunity to work itself out and the time for its reconsideration should be later in year when import and export situation and price and currency trends are clearer.

2. Any meeting now to consider new policies would have general unsettling effect. This would be especially true of Canada where public opinion has reached a better understanding and general acceptance of the wheat agreement. Furthermore the relation of our spring sowing to our obligations under the agreement must be decided within the next few weeks and here again a new Conference such as proposed would unsettle the situation.

3. We might adopt a different attitude if we felt speedy or general agreement on new policies was possible at the proposed meeting but we are quite certain this would not be the case and that failure would jeopardize existing arrangements and previous efforts.

4. Hope you may be able to impress our point of view on McMurray and McDougall in conversations before tomorrow's session opens. Emphasize undesirability of forcing this matter to an issue in Committee. Also remind Cairns original agreement was meant to be elastic and informal and that I deprecate the tendency evidenced in some sections of the Committee to formalize and make it rigid. You may tell them that as at present advised if the Committee at this session summon or recommend a general meeting of States Canada will not be represented.

5. As to Report of your Committee, feel that you should merely submit results of your discussions of specific items on Agenda to Governments concerned for any suggestions they may care to make as to future action. As to individual items of report which you mention:

(*a*) (*b*) and (*c*) unnecessary;

(*d*) no objection;

(*e*) If included would prefer first part to read "Governments to be requested to consider feasibility and desirability of scheme of minimum export prices". We believe quarterly quota proposal is undesirable and impracticable but will give it consideration if submitted;

(*f*) Satisfactory if "consideration by general meeting" changed to "consideration by Governments".

6. In connection with Committee publicity, while recognizing difficulty of preventing all leakages in view of large membership, strongly urge that every effort be made to do this and to treat your reports and deliberations as confidential. The press despatches reaching Canada lately re Committee's work have been highly tendentious. Ends.

722.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissariat
Under-Secretary of State for External Affairs to Office of High Commissioner

Ottawa, March 22, 1934

Dear Colonel Vanier,

I am sending you, herewith, in care of Mr. McFarland, certain notes on the various items of the Agenda for the next meeting of the Wheat Committee in so far as we have been able to determine them. We have supplied Mr. McFarland with a copy of these notes together with an historical and analytical summary of the steps leading up to the London Conference; the Conference itself; the working out of the Agreement; acreage reduction efforts under the Agreement, and the previous meetings of the Wheat Advisory Committee. We have also furnished him with the Minutes of the Third Meeting; the Reports of the Sub-Committees on Marketing and Wheat Consumption.

I regret very much that these notes have been so late in arriving. We had them prepared some time ago, but owing to the general uncertainty here as to Canadian representation at the Rome meeting it did not seem wise to send them previously. When that uncertainty was removed at the beginning of the week, we thought that Mr. McFarland would be going straight to London and that he would arrive there in time to go over the questions on the Agenda with you. However, as he is not able to do that we are adopting the only course possible and sending them to you in Paris where you will get them from Mr. McFarland.

The Rome Meeting promises to be an important one. As you doubtless know, Mr. Murphy and Dr. Ezekiel are going from Washington. I had certain conversations with officials of the Department of Agriculture in Washington last week, the gist of which you will find in Section (C) of the enclosed Volume. You will note that they are anxious that there should be close co-operation between the Canadian and American representatives to the forthcoming meeting, and as our respective policies in connection with the Wheat Agreement seem to be in harmony there is no reason why this should not be so. The Argentine situation strikes me as being the most dangerous spot on the horizon, in view of the probability that they will have exhausted their quota before the end of the crop year. It is to be hoped that some arrangement can be made by which they will be able to adjust their position to the obligations of the Agreement and at the same time realize that some steps will be necessary to restrict their production in the next year, both in their own interests and in the interests of the successful working out of the Agreement. However, all these matters are discussed in the enclosed Notes so I need not go into them here.

Yours sincerely,

O. D. SKELTON

723.

Les délégués à Rome au secrétaire d'État aux Affaires extérieures
Delegates in Rome to Secretary of State for External Affairs

TELEGRAM Rome, April 9, 1934

SECRET. At meeting Sunday representatives of all overseas exporting countries except Russia, Le Breton informed us that situation in the Argentine, due to abundant crop and political reasons, was desperate, that his Government had cabled him they would require an additional 40 million bushels on this year's quota applicable in reduction of next year's quota and instructing him to meet us in endeavour to find solution. All other representatives expressed disappointment and grave concern and indicated informally, firstly, figure 40 million so excessive as to be beyond reason, secondly, in any case no concession could be made unless Argentine accepted Russian quota, minimum price to prevent dumping, assurance that measures would be taken in regard to production and extension of London Wheat Agreement for 1 year. In consequence Le Breton cabling his Government again. After meeting with Le Breton, United States, Australian and Canadian representatives discussed ways and means and decided to consult with their Governments on the possibility of acceding to 20 million found from this year's quota as follows: United States and Australia each 8 million, Canada 4 million, such amounts to be credited to next year's quotas. Apart altogether from Argentine situation might be helpful safeguard transfer above amounts in case we failed to use full quota this year. Please telegraph instructions. Items 1 to 4 inclusive Agenda have been disposed of, Committee did not accept item No. 4 French proposal which we opposed. Item No. 5 minimum price proposal being discussed now.

McFARLAND
VANIER

724.

Le secrétaire d'État aux Affaires extérieures aux délégués à Rome
Secretary of State for External Affairs to Delegates in Rome

TELEGRAM Ottawa, April 10, 1934

Your telegram April 9th. Much perturbed by Argentina's demands for additional quota, which amount to attempt to capitalize her own failure to carry out agreement having adopted export policy inconsistent with quota agreed upon and broken market by selling at any price. If, however, you are convinced that new arrangement will improve situation and cause Argentina

to cooperate loyally in carrying out agreement, we would concur in proposal to add 20 million bushels if it is surrounded by strict conditions as outlined in your telegram, as follows: (1) Argentina must accept Russian quota as agreed upon by other three exporters; (2) minimum price to prevent dumping; and (3) assurance that measures would be taken in regard to production.

In respect to (2), are not sure whether you intend this to apply to all exports or merely to Argentina. Feel that latter would be preferable. It would of course be satisfactory if Argentina would agree not to sell wheat below price of Canadian wheat of same quality, which would apparently raise her export price 20 to 30%, but you can judge best how far it is wise to press for such concessions. On the basis of the conditions outlined above willing to transfer 4 million from our quota if United States and Australia each transfer 8 million. Preferable to have Argentine supplementary quota deducted from her 1934-35 quota rather than added to quotas of other three exporters for that year.

Your main object is to ensure maximum sale of our wheat for crop years ending in 1934-35 and with your knowledge of world conditions any arrangements you make along lines indicated will meet with our approval. Please keep us advised of situation.

725.

Les délégués à Rome au secrétaire d'État aux Affaires extérieures
Delegates in Rome to Secretary of State for External Affairs

TELEGRAM 5 Rome, April 17, 1934

SECRET. My telegram 14th April, No. 3. Cairns has informed the United Kingdom, Australian and Canadian delegates that Beyro asked to have a talk with him obviously to communicate to us afterwards substance of conversation. With telegram before him received by Le Breton from the Minister of Agriculture, Argentine, Beyro stated *inter alia,*

(*a*) Argentine Government fully prepared to accept full consequences of determination export additional 40 million;

(*b*) United States and Canada have not carried out 15% acreage reduction and Argentina signed Wheat Agreement on this understanding;

(*c*) United States should cease uneconomical growing of wheat;

(*d*) Argentina does not want any further commitments in the way of international wheat agreement;

(*e*) Argentine Government cannot restrict exports, their public opinion being against it.

Obvious from above Argentina is seeking excuse to withdraw from Agreement. On the other hand Murphy states that in personal talk with Le Breton latter seemed hopeful of softening his Government's attitude. McDougall and we believe diplomatic intervention Buenos Aires by British and United States Ambassadors more likely to produce results than through Le Breton and Minister of Agriculture's medium. Your telegram of the 15th April received in reply to our telegram No. 3. Will report developments.

McFARLAND AND VANIER

726.

Le délégué à Rome au Premier ministre
Delegate in Rome to Prime Minister

TELEGRAM Rome, April 17, 1934

CONFIDENTIAL. Have telegram from Winnipeg intimating that there will be no acreage reduction apart from grasshoppers and restrictions because of shortage of funds. There is nothing reassuring in this. My view now more confirmed than ever that over production already so extremely serious that without substantial acreage reduction and in the event of average yield this year in exporting countries world wheat situation will result in catastrophe. No person can attend Conference such as this without realizing how very grave situation really promises to become. No one bold enough to speak candidly and paint picture in true colours. Of course importing countries would be interested in repercussions but have no intention of deliberately reducing production under home requirements. London Times reports that Provincial Governments meeting you next week and I venture to suggest that you place this matter before them in the strongest possible manner. Acreage reduction transcends Wheat Board and every other consideration.

McFARLAND

727.

Le secrétaire d'État aux Affaires extérieures au délégué à Rome
Secretary of State for External Affairs to Delegate in Rome

TELEGRAM Ottawa, April 17, 1934

IMMEDIATE. SECRET. Your three telegrams of April 17 received. Cannot understand why you accept vague reports from Winnipeg re wheat reduction. Provinces are discharging undertakings loyally and effectively, and our latest information is as follows:

Saskatchewan—Macpherson advises farmers sowing 20% less wheat acreage than last year. Have telegraphed Manitoba and Alberta for latest

estimates. As regards Manitoba, Bureau of Statistics summary based on crop correspondents reports indicates that in south and especially south-west districts, which include two-thirds of wheat acreage of Province, soil moisture conditions this spring are very poor, feed and seed scarce, many horses lost and remainder in weakened condition, grasshopper eggs abundant. These factors indicate substantial reduction in wheat acreage. Alberta—in crop districts 2, 4, 5, 7 and parts of 6 and 8 moisture supply not ample for good germination, serious soil drifting, many reports of grasshopper eggs, some shortage of feed and seed. Other districts, conditions better. On the whole, reports indicate that there will be very substantial reduction of acreage through natural causes and control by government of financial assistance. Bureau of Statistics has evidence that there will also be planned reduction as a result of propaganda which is having effect. Total wheat acreage reduction will be large and 15% objective may be exceeded. While above details are for your own information, I feel that Committee, especially Argentine, should be made aware extent of reduction, with emphasis being placed on the steps our governments have taken and on fact that, with conditions being as indicated above, further governmental steps not necessary thus far though full power available for supplementary action if needed. We are carrying out the obligations of the Wheat Agreement in respect to reduction of production, though never at any time did we accept a specific commitment to reduce acreage by any stated percentage. We cannot, therefore, permit Argentine to contend that their failure to live up to the Agreement is justified by the fact that Canada has not carried out a 15% acreage reduction. No one can say yet that 15% acreage reduction will not be, in fact, achieved. These facts should be made clear to Argentine delegates and others.

Hope to send further information re acreage reduction later in day.

BENNETT

728.

Les délégués à Rome au Secrétaire d'État aux Affaires extérieures
Delegates in Rome to Secretary of State for External Affairs

TELEGRAM 6 Rome, April 18, 1934

Committee adjourned late last night re-convening London 7th May to consider minimum price scheme. Roumania has transferred another million quintals to help out Hungary. High Commissioner asked Vanier return London if possible. McFarland staying for Argentine conversations.

MCFARLAND AND VANIER

729.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM Ottawa, April 29, 1934

IMMEDIATE. CONFIDENTIAL. In view of attitude of Argentine Delegation at Rome Wheat Conference we think it advisable that representations should be made to Argentine Government expressing earnest hope she will co-operate in satisfactory working out of Wheat Agreement and impressing on her disastrous effect of failure of this international effort to stabilize wheat market and of reversion to unrestrained competition on part of all exporters. We understand Australia desires to make similar representations and we hope United Kingdom Government may also see fit to join in them. If, however, this is not possible, could Ambassador at Buenos Aires be instructed to act for Australia and Canada. We are requesting our High Commissioner to confer with you as to procedure and nature of representations.

730.

Le chargé d'affaires aux États-Unis au secrétaire d'État aux Affaires extérieures
Chargé d'Affaires in United States to Secretary of State for External Affairs

TELEGRAM Washington, May 2, 1934

IMMEDIATE. State Department has instructed the United States Ambassador at Buenos Aires to cooperate with the British Ambassador in proposed démarches concerning Wheat Agreement.

731.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 30 London, May 3, 1934

CONFIDENTIAL. Your telegram of the 29th April. Attitude of Argentine to International Wheat Agreement. Telegram in the terms agreed with Canadian and Commonwealth High Commissioner Offices has been sent to His Majesty's representative at Buenos Aires requesting him to make strong representations on the lines desired to the Argentine Government on behalf

of His Majesty's Governments in Canada and the Commonwealth of Australia and to act as far as possible in concert with his United States colleague. He is instructed to say that His Majesty's Government in the United Kingdom as parties to Agreement would view with grave anxiety breakdown of present arrangement of cooperation among nations to remedy serious state of wheat market and they earnestly hope therefore that Argentine will continue to play her part. Canada No. 30, Commonwealth of Australia No. 26.

732.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 92 London, May 4, 1934

Wheat Advisory Committee meeting on Monday May 7th. Would appreciate instructions in regard to export prices minima proposal. With reference to Sub-Committee of Experts mentioned in sub-paragraph 1A of section dealing with export prices minima please advise names if any of experts you wish to nominate.

733.

Le sous-secrétaire d'État aux Affaires extérieures au Haut commissaire
Under-Secretary of State for External Affairs to High Commissioner

TELEGRAM 86 Ottawa, May 4, 1934

Your telegram No. 92, May 4. Documents concerning Rome meeting Wheat Advisory Committee only arrived Tuesday. Prime Minister left Ottawa Wednesday, and will not be possible for him to consider questions arising out of report or forward instructions until his return Monday next. Meanwhile would appreciate any information you may secure concerning attitude of governments and United Kingdom wheat importing interests toward proposed minimum price scheme. Will you or Colonel Vanier, or both, represent this Government at resumed meeting of Wheat Advisory Committee, Monday, May 7. Impossible to consider representation on Sub-Committee of Experts until Government decides on principles underlying proposal for minimum prices. Sub-paragraph 1 B of export price minima proposal indicates that Sub-Committee of Experts will have drawn up tentative scales of initial prices before meeting May 7. Difficult to reconcile this with your telegram above. Suggest, however, if Sub-Committee meets before main Committee Colonel Vanier might attend as observer.

734.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM London, May 8, 1934

SECRET AND CONFIDENTIAL. Your telegram No. 83 of the 3rd May. French Government have been informed by the United States Embassy at Paris that representations have been made to Buenos Aires by United States and British Ambassadors, but United States Ambassador in France is not requesting French Government to make representations nor have I asked United Kingdom to approach the French Government because unofficially I understand that United Kingdom Government would prefer not to be asked to do this. I am keeping in touch with situation and if the French Government instruct their Ambassador at Buenos Aires to make representations I will inform you.

Your telegram No. 86 of the 4th May. In private conversation with Le Breton, I am informed that the Argentine Government opposed to minimum price scheme. United Kingdom attitude not defined yet, understand matter will come before Ministers Wednesday morning, meanwhile Board of Trade official informs me confidentially that he believes United Kingdom has grave misgivings about scheme and that certainly the United Kingdom wheat importing interests are definitely opposed. United States and Australian representatives anxious to persuade United Kingdom Government necessity for adopting minimum price scheme, particularly in view of effect United Kingdom support would have on the Argentine. It is proposed that United States, Australian and Canadian representatives should meet United Kingdom representatives Tuesday to urge support for minimum price scheme as essential measure to prevent breakdown of Wheat Agreement. Do you authorize us to associate ourselves with such representations and pressure on United Kingdom Government?

Reference Sub-Committee of Experts, you will have noticed sub-paragraph 1 B. was altered in revised draft and did not call for meeting on 4th May. Committee met this morning and in view of [the] fact that several delegations did not have detailed instructions from their Governments, Committee adjourned until Wednesday morning after setting up Committee of Experts mentioned in paragraph 1B. Vanier will attend meetings as observer. United States, Australian and Canadian representatives will meet Le Breton tonight, result of conversations will be cabled early Tuesday. Please cable instructions today if possible in regard to associating ourselves in joint representations to United Kingdom Government and tomorrow in regard to other questions relating to minimum price proposal.

735.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM London, May 8, 1934

CONFIDENTIAL. My telegram of the 8th May, unnumbered, Wheat Advisory Committee. Lengthy discussions took place last night between Le Breton and representatives of United States, Australia and Canada. Argentine attitude seems more conciliatory, Le Breton being more hopeful of possibility of reaching an agreement on figures for additional quota. Le Breton also intimated that if an agreement were reached his Government would announce in Buenos Aires that fixed prices on wheat would be abandoned before new 1934 crop started moving to markets and that fixed prices on linseed and maize would be maintained for new crop, and also stated that Argentine farmers would be urged to reduce their seeding of wheat and instead to increase seeding of linseed, maize and other crops. Russian quota would also be accepted. Argentine very much opposed, however, to minimum price and no indication could be obtained as to what measures Argentine would take to maintain prices. Le Breton has telegraphed his Government again on all points mentioned in our secret telegram No. 3, April 14th, from Rome, and hopes to receive definite reply shortly.

736.

Le Secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 90 Ottawa, May 8, 1934

MOST IMMEDIATE. Your telegram May 8, Wheat Advisory Committee. You are authorized to associate yourself, singly or collectively, with informal representations to be made by Australian and United States representatives to the United Kingdom Government advocating sympathetic attitude toward minimum price proposals to prevent breakdown of Wheat Agreement. Suggest line to be taken is that proposals are designed to cause minimum dislocation to wheat trade, that interests of importers are adequately safeguarded, and that while proposals are admittedly experimental, they should be attempted as Wheat Agreement otherwise is likely to collapse, and a period of competitive chaos in wheat trading would follow that collapse. You will of course realize that acceptance and working of a minimum price plan is contingent on reaching satisfactory understanding with Argentina on fulfilment of London agreement. We are prepared to approve increase of Argen-

tina quota by thirty millions as proposed in Canadian telegram April 14, No. 3 from Rome provided that Argentina accepts the five conditions attached to the proposal. We have not yet received the second telegram regarding Argentine position forecast in your message today under reference. Pending information on this point not advisable to make any statements in Committee regarding Canadian attitude to minimum price plan. Shall communicate further immediately on receiving your reply re Argentine.

737.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 101 London, May 11, 1934

IMMEDIATE. CONFIDENTIAL. Le Breton has informed us that his Government show no disposition to reduce their demand for additional quota of 40 million bushels, nor will they give any undertaking about stabilizing or maintaining prices except that they would endeavour to sell without unduly depressing prices. They will give no undertaking either that carry-over in 1935 would be normal if they were restricted to 108 million bushels next year. This morning Wheat Advisory Committee considered minimum price proposals. The only positive dissenting voice was Argentine whose representative definitely stated that his Government unable to accept. United Kingdom representative stated his instructions did not cover the case which had arisen and that he could not say more for the time being. All other representatives expressed approval of principle of minimum price proposals on condition, of course, that all exporting countries would cooperate. Committee adjourned until this afternoon to consider new position.

738.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 105 London, May 12, 1934

CONFIDENTIAL. Reference Dominions Office despatch being forwarded to you today containing Argentine Government's reply to representations Buenos Aires concerning Wheat Agreement, it is proposed that representatives of the United States, Australia and Canada should meet representatives of the United Kingdom Government, Monday or Tuesday, in order to impress on the United Kingdom Government gravity of situation and discussing possible solution and action. Please cable to reach us Monday, if possible, statement which should be made to United Kingdom representatives in answer to Argentine's reply and particularly to her reference to Canada's undertakings.

739.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 97 Ottawa, May 12, 1934

IMMEDIATE. Your telegram 105. Suggest statement to United Kingdom representatives in answer to Argentine reply should be, so far as Canada is concerned, along following lines.

Sole formal undertaking of four wheat exporting countries as embodied in London Wheat Agreement is to regulate exports within accepted quotas. Canada's export figures show she is living up to this undertaking. The acceptance of a wheat production figure for 1934-35 of 385 million bushels made up of export quota of 268 million plus domestic consumption 117 million, which is based upon a 15% reduction of production, necessitates efforts by this country to reduce acreage to keep production within that figure. Effective steps towards this end have already been taken. Our estimates of wheat acreage for current season show a reduction over average for base period of 2,753,743 acres, or 10.4%, which reduction will in all probability be increased on basis of later returns. Latest report of crop conditions indicate an average yield which will be low enough to bring our total production figure well below 385 million bushels. In case crop conditions improve, however, and it appears that production may be above that figure, recourse will be had to legislation passed by the governments of the three Prairie Provinces which give them ample power to do all such acts as may be necessary and requisite to bring production of wheat into proper alignment with quota applicable to this country under Wheat Agreement. We feel, therefore, in view of the executive action taken by the Federal Government and the enactment of legislation empowering it to control marketing and exporting and of the Provincial action indicated above and the results already obtained, that this country has most amply and satisfactorily carried out its obligations under the Wheat Agreement itself and under the Note of Agreement of the overseas exporters by which we promised to reduce production 15%. This stands out in sharp contrast to Argentine attitude towards her obligations under the Agreement. We are at a loss to understand Argentine insistence on 40 million bushel additional quota. Our information is that Argentine could not sell that amount during current year even under present conditions, to say nothing of conditions which would exist if her policy broke the Wheat Agreement and forced Canada into competitive selling. We appreciate impossibility of Argentine reducing acreage by anything like 41%, but feel that if she is sincere in her determination to contribute to a satisfactory agreement she should accept as a generous concession a 30 million additional quota on the following conditions:

(*a*) Reduction of 10 to 15% in wheat acreage; (*b*) Acceptance of Russian quota; (*c*) Abandonment or reduction of fixed prices in wheat;

(*d*) An undertaking to market the additional quota in such a way as to not unduly depress prices; (*e*) The question of 1934-35 export quotas to be decided at June meeting of Wheat Advisory Committee. You will note these conditions are less stringent than those outlined in Canadian telegram No. 3 April 14th, from Rome.

For your information we consider if Argentine refuses above conditions, difficult to prevent Wheat Agreement from collapsing with disastrous results for all exporting countries including Argentine. Responsibility for this would be placed squarely on her shoulders.

740.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 113 London, May 16, 1934

IMMEDIATE. CONFIDENTIAL. After prolonged discussions between the United States, Australian and Canadian representatives and Le Breton it was felt that there was some hope that Argentine might accept proposals set forth. United States representatives have already received authority by telephone from Washington to put forward proposals and McDougall uncertain about obtaining instructions immediately is willing to concur. Proposals begin:

The representatives of Australia, Canada and the United States agree to recommend points 4 to 7.

Point 1, that Argentine 1933-34 quota be increased from 110 to 140 million bushels by making a corresponding (reduction?) in 1933-34 quotas of Australia, Canada and the United States.

Point 2, that only 15 million of 30 million increase in 1933-34 quota be repaid and that Argentine's global quota for period 1st August, 1933, to 31st July, 1935, would therefore be 273 instead of 258 as at present.

Point 3, that undertaking of the Argentine Government not to have above-normal stock of wheat on 1st August, 1935, be interpreted to mean 80 million bushels.

The Argentine Government agree:

Point 4, to commence forthwith a vigorous campaign designed to effect a material reduction in area sown to wheat in 1934. The following methods to be adopted:

(*a*) Encouraging of farmers to substitute linseed, maize and other crops for wheat;

(*b*) Announce immediately the withdrawal of credit facilities for cultivation of wheat, while retaining them for linseed, maize and other crops;

(*c*) Announce immediately in Argentine that basic prices now being paid for wheat will be substantially reduced for 1934-35 crop;

(*d*) The basic prices to be paid for 1934-35 crop to be consistent with undertaking to effect a material reduction in production.

Point 5, to control exports so as to ensure that new quotas will be strictly adhered to.

Point 6, to regulate export and sale of wheat to exporters in such a manner as to assist other exporting countries in their efforts;

(*a*) To prevent a further decline in price of exported wheat; and

(*b*) To effect an increase in export price of wheat, and

Point 7, to accept the Russian 1933-34 unconditional quota of 40 million bushels and conditional supplementary quota of 10 million bushels, both of which have been approved by other overseas exporting countries. Proposals end.

Please cable immediately whether you authorize us to associate ourselves with these proposals to Argentine. Reference Point 2, United States representatives are authorized if necessary as last resort to agree to 10 million only being repaid by Argentine which would alter figures in Point 3 to 75 million. McDougall will probably concur but uncertain yet. Please advise if you would prefer go that far if Argentine held out on this point. At Board of Trade today, Runciman and Thomas received United States, Australian and Canadian representatives and promised to see the Argentine Minister tomorrow to impress on him gravity of situation and necessity of maintaining Wheat Agreement.

741.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 109 Ottawa, May 21, 1934

MOST IMMEDIATE. Your telegrams 119 and 120, wheat discussions with Argentine. Under circumstances you are authorized to associate yourself with proposals as they stand. While we consider that low Argentine offerings, at present 22 cents below Canadian is the most serious factor in the situation, we are willing under the circumstances not to press for an additional formal undertaking that Argentine will rectify this. We are doubtful whether these proposals will be accepted by Argentina as they involve a 20 per cent cut in acreage.

As regards sub-section (*c*) Point 4, our understanding is that it imposes a difficult condition upon the Argentine and one which she is not likely to accept. How can she promise to pay a lower price to her producers next year if by that time the world price has risen above the present Argentine internal

price. We would not like to see the Wheat Agreement break down on this point. Might it not have been better to have asked the Argentine to undertake to reduce the spread for 1934-35 crop between world price and price paid the producer by the Grain Control Board; in other words to cease subsidizing exports.

742.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 122 London, May 24, 1934

IMMEDIATE. CONFIDENTIAL. Beyro has informed representatives of the United States, Australia and Canada that Argentine will not accept proposals submitted and asks for an increase in two year global quota of 1,000,000 tons or 36,700,000 bushels, none of which would be repayable. Representatives of the United States, Australia and Canada expressed disappointment and grave concern and stated that they could not recommend this unconditional figure to their Governments and requested Beyro to obtain from his Government definite, complete proposals, including the undertakings which Argentine Government are prepared to assume. Beyro is communicating with Le Breton, and in due course I understand we may expect counter-proposals in writing.

743.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 116 Ottawa, May 29, 1934

IMMEDIATE. CONFIDENTIAL. Your telegrams 122 , May 24, and 125, May 26, Argentine wheat negotiations. Washington has informed us confidentially that they have communicated with their Embassy in London to the effect that crop conditions in the western states are so bad that the whole wheat situation is likely to be altered by that fact and that therefore further concessions to the Argentine on their part may be possible. They are anxious to keep the Wheat Agreement alive, and feel that pressure should not be brought to bear on Argentina to an extent and in a way which would force Argentina to denounce Agreement. We agree that under the circumstances this attitude seems sound. McFarland, to whom this information was conveyed by telephone, suggested that possibly the United States might not require any export quota for 1934-35. We feel, however, this question should be left for the June meeting of Wheat Advisory Committee. Meanwhile we

would be glad to be informed immediately and before any further proposals are made to Argentina of any developments which have occurred or may occur in connection with the Argentine offer. Bruce, to whom telegrams have been shown, is in Ottawa, and leaves for Washington tomorrow.

744.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 134 London, June 5, 1934

My telegram No. 122 of the 24th May. Argentine Government have not yet submitted any new proposal but Beyro has written Ambassador of United States informing him Argentine Government will accept all our proposals provided item No. 2 is modified to read 294,700,000 bushels. In addition, he stated that Argentine Government were prepared to undertake to endeavour to bring about reduction of 15% in area sown to wheat in 1934. Beyro states that his Government requires increase of 36,700,000 bushels because their policy is not to form wheat stocks and that only with an increase of global quota to 294,700,000 bushels and reduction of 15% of area sown to wheat in 1934 would they be able to finish their present crop year (calendar year 1934) and second year of Convention (July 1st, 1934, to August 31st, 1935)[1] with carry overs not above normal, that is to say not above 200,000 tons and 1,300,000 tons respectively. Cairns left for Paris today to see Le Breton in hope that he may be able to obtain definite proposal from Argentine Government which United States, Australian and Canadian Governments might consider.

745.

Le ministre aux États-Unis au secrétaire d'État aux Affaires extérieures
Minister in United States to Secretary of State for External Affairs

TELEGRAM Washington, June 13, 1934

Argentine Ambassador left today at State Department copy of cable from Argentine Government to Le Breton containing reply to last proposal of exporting countries.

This said concurrence in shipment of 150 million bushels by 1st August was absolutely essential. If offer of 140 million were accepted shipments would have to cease in July, creating impossible situation especially as exporters had made large forward sales.

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[1] Vraisemblablement du «1er août 1934, au 31 juillet 1935».

[1] Presumably "August 1, 1934, to July 31, 1935" is meant.

Cable declared pressure had been successfully exerted to reduce wheat acreage through National Bank which was discouraging loans on wheat and encouraging loans on corn and flax seed. In districts with seeding completed, reduction of wheat acreage approaching 15% had been achieved. Demand for abandonment of fixed minimum price for wheat has lost significance because world price has now risen above fixed minimum price.

Argentine Government unwilling to make any engagement yet concerning exports in next crop year but would consider question in August when full information would be available concerning their own seeding and wheat yield in northern hemisphere. They reaffirm their intention of not building up carryover. Department of Agriculture here feel that concession of additional 10 million bushels would be advantageous. They recognize Canada is country chiefly concerned but hope that with rising wheat prices we will be ready to concur. They have no confirmation of statement in cable concerning Argentine acreage reduction but feel unwillingness to settle next year's quota before August is not unreasonable. They consider this cable shows first definite desire of Argentine to preserve wheat agreement and favour temporising until August at any rate.

746.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 146 London, June 16, 1934

MacMurray has sent following telegram to the Department of Agriculture regarding Argentine statement. Begins. The meaning of this note appears to us to be that in exchange for a wholly unsatisfactory and probably untrue implication as to acreage reduction Argentine is setting aside all obligations whatsoever under Wheat Agreement and refuses to accept any new obligations or conditions. It is to be noted that she first demands quota of 150 million this year without marketing control which Australia in particular considers important; second, is unwilling to commit herself publicly to any steps to reduce acreage and, third, in acceding to suggested postponement of question of next year's quota serves notice that she demands a quota such as to obviate abnormal stocks regardless of acreage and impliedly of yield accepting 1933-34 crop as 283 million and assuming new seeding equal to last year's 19.7 million acreage and average yield of 12 bushels, Argentine may thus demand second year quota of 140 new wheat plus 37 old. Assuming 5% decrease in acreage (which all reports indicate as maximum) her quota would be 128 new plus 37 old. Our discussions with Argentine hitherto have given some grounds to apprehend that she will not even accept average yield as basis. Ends. McDougall agrees generally with above statement.

747.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 128 Ottawa, June 19, 1934

Your telegram No. 146, June 16. We agree with MacMurray that latest Argentine proposals not satisfactory. However, after consultation with United States authorities, feel that to keep the Agreement alive we might consent to her demand for 40 million extra bushels this year, of which we could contribute 9 million on condition that 1934-35 quota remains open for consideration in August. If arrangements along this line can be concluded in London you are authorized to accept them.

748.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 161 London, July 6, 1934

CONFIDENTIAL. At meeting between representatives of United States, Australia and Canada, cablegram from the Argentine Secretary of Agriculture to Argentine Ambassador at Washington as communicated 29th June to the Department of State, Washington, was considered. You have seen this cablegram which states that the Argentine Government will accept 294 million bushels as two year quota on the understanding that portion of 150 million not exported in the first year would be transferred to the second year and also on the understanding that acceptance is made with the following reservation. Right to ask reconsideration in August 1934 of quota for second year so that Argentine might not be left on July 31st, 1935 with large stocks.

While fully in accord with United States and Canada's desire to postpone issue till August meeting of Committee, Bruce was definite, stating that he could not consider proposal which as now framed embodies reservation that in his view confirms explicitly claim to a quota calculated on a basis which would mean exemption of Argentine from obligations under Agreement and would thus prejudice all future discussions. Bruce added that he was convinced that his Government would take the same view and would refuse to consider Argentine proposal. We considered carefully several alternative procedures by which question might be held over without prejudice to position of any of the parties. The only suggestion which from this discussion appeared feasible was that we should attempt no provisional agreement at the moment, and make no transfer of quota but that in reply to Le Breton's note of June 14 we should explain impossibility of falling in with proposed

arrangement and while expressing disappointment at course of negotiations and cognizance of Argentine's difficulties and of fact her quota already exceeded we should propose that whole question lie over until August meeting when it could be considered in connection with contemplated general reallocation of quotas in the light of fuller statistical information then available. At Bruce's suggestion drafts have been prepared of reply to Argentine and of public statement to be issued for submission to our respective Governments as suggested basis.

Summary of proposed reply to Argentine and of public statement will be sent in cablegram immediately following this.

749.

Le secrétaire d'État par intérim aux Affaires extérieures au Haut commissaire

Acting Secretary of State for External Affairs to High Commissioner

TELEGRAM 141 Ottawa, July 11, 1934

Your telegrams 161, 162, July 6, and 164 of July 9, wheat negotiations. In view of considerations advanced in your telegrams and also of fact that export of twenty million bushels wheat and wheat flour from Canada June makes it probable this country will not fall far short of quota figure for current year and therefore would not be free to transfer any substantial share of quota to Argentine, we approve of the draft letter to Argentine rejecting latest Argentine offer and deferring further negotiations until next meeting of Wheat Advisory Comittee. Also approve proposed public statement and concur in proposed Washington amendments. August thirteenth date satisfactory. Grindley, Chief Agricultural Branch, Bureau of Statistics, is attending Conference of agricultural economists in Berlin August 26 and will be available for London meeting of Wheat Committee on August 13. Additional representation may also be provided.

750.

Le haut commissariat au secrétaire d'État aux Affaires extérieures

Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 208 London, August 18, 1934

CONFIDENTIAL. At a meeting of four exporting countries United States Embassy yesterday to discuss 1934-35 quotas, it was considered advisable to approach the matter on basis of probable world movement of 600 million bushels. Danubian countries and U.S.S.R. will ask for about 65 million,

United States definitely asks for only 10 million, Australia wants a maximum of 125 million, leaving 400 million for division between Argentine and Canada. Argentine representative definitely refused to submit to his Government a figure of 141 million based on literal reading of Agreement for 1934-35, regarding figure as too low. He was asked to obtain his Government's reaction to a figure of 150 million based on certain reasonable modifications. This figure would leave only 250 million for Canada. Discussion indicates that majority of delegates would consider Agreement ended unless quota can be agreed. Would you risk ending the whole Agreement by insisting upon quota holiday for this year? We suggested informally that we required 300 million our share and were perfectly satisfied to take quota holiday if others would agree. Please cable instructions.

751.

Le secrétaire d'État aux Affaires extérieures au haut commissariat
Secretary of State for External Affairs to Office of High Commissioner

TELEGRAM Ottawa, August 20, 1934

Following for McFarland. Begins. Your telegram No. 208 of the 18th August. If your appreciation of world wheat conditions is accurate, any quota less than 300,000,000 would be inadequate. On the whole, if after careful consideration you think it would not wreck agreement, we are not unwilling that you should agree to quota holiday. Ends.

752.

Le haut commissariat au secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Secretary of State for External Affairs

TELEGRAM 213 London, August 21, 1934

IMMEDIATE. No possibility of agreement on definite quotas this meeting and consideration will be postponed until November. Drafting Sub-Committee has been working on certain recommendations and it seems certain full Committee will agree to forward these to Governments for consideration at next Session about 1st November. Summary of recommendations begins:

(1) Wheat Agreement extended two or three years.

(2) The four exporting countries to accept initial export quotas for each crop year, calculated upon 1934 acreage and average yield, both of which will be definitely stated. Further, these initial export quotas adjusted on pro rata basis according to world demand. Importing countries agree to report on measures taken individually to attain the three objectives of wheat agreement.

(3) Export quotas four exporting countries, Danube, Soviet Union, to be agreed upon within limits of prospective demands taken for 1934-35 as 600 million bushels.

(4) Quotas to be allotted out of entire estimated world demand, each country's individual quota being reduced by 5% for original reserves.

(5) Quarterly quotas provided for in general accordance with seasonal movements.

(6) Definite provision regarding transfer of reserves.

(7) Provision for requests for additional quota.

(8) Definition of original reserves and also constitution of secondary and supplementary reserves. Secondary reserves arising from surrender of quotas when yields are below average. Supplementary reserves are established by Committee if and whenever world demand over original estimate. Original reserves earmarked for each country if world demand on 1st May seems up to estimate. Secondary reserves granted on agreed acreage if yield above average but only to limits of quotas surrendered because below average yield. Supplementary reserves allocated by proportional recognition to old and certain new wheat.

(9) Provision for holding wheat from above average yield in store until quotas allocated.

(10) Provision for monthly reports on pertinent points.

753.

Les délégués à Budapest au secrétaire d'État aux Affaires extérieures
Delegates in Budapest to Secretary of State for External Affairs

TELEGRAM 2 Budapest, November 22, 1934

CONFIDENTIAL. French delegate announced important changes in French wheat policy. Statistical position as follows:

In million quintals, carry over last July 21, African imports 3, new crop 84, total 108, consumption 85, surplus 23. Proposed disposition of surplus; (a) increased human consumption largely by lowering of extraction rate 3.5; (b) intended denaturing for feed 5; (c) Government purchase for permanent safety reserve 7; (d) exports 7.5. Exports to date 11 million bushels balance to export 17 million bushels. France will consider exporting part of surplus in form of denatured wheat. Important features of new policy are; (a) Abandonment of minimum prices with resulting lowering of internal prices; (b) Lowering of rate of extraction; (c) Increased denaturing; (d) Government purchase of permanent safety reserve; (e) Increase in production tax from 3 to 8 francs per quintal. New policy designed (a) To liquidate surplus stocks. (b) To reduce acreage and production. (c) Permanently to restore France to importing basis.

We feel long range implications of new policy helpful but present difficult immediate situation in export market. Exports will be subsidized so far as necessary. We will be called upon to cooperate in facilitating French exports. Please telegraph instructions. Soft wheat exporters disturbed.

VANIER-DAVIDSON

754.

Le secrétaire d'État par intérim aux Affaires extérieures aux délégués à Budapest

Acting Secretary of State for External Affairs to Delegates in Budapest

TELEGRAM 3 Ottawa, November 24, 1934

CONFIDENTIAL. Your telegram No. 2 of 22nd November. Government appreciate effort of France to cooperate in seeking solution of wheat problem and wish you to express appreciation of goodwill in forming proposed policy.

We understood in August from French representatives that France would not export more than three million quintals in current year and regret that this quantity has already been sold abroad at less than prevailing price of feed wheat with resulting tendency to unduly depress world wheat prices.

It would be very helpful if France could restrict her further exports to another three million quintals—spreading sale and delivery of this quantity as evenly as possible over balance of crop year. If these sales of feed wheat were made at foodstuff values and if feed were denatured on export, effect on general conditions would be valuable and psychological reaction would be favourable. Please advise further developments.

755.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures

High Commissioner to Secretary of State for External Affairs

TELEGRAM 280 London, December 17, 1934

IMMEDIATE. CONFIDENTIAL. In view of numerous press enquiries, Secretary of Wheat Advisory Committee proposes to issue a communiqué in regard to French proposals. Communiqué would read as follows:

First: Recital of French note dated 28th November, forwarded to you with my despatch of the 7th December, substance of which was contained in cablegrams No. 2 and No. 5 from Budapest.

Second: Following statement which is reproduced verbatim. Begins. Following examination of French declaration, following proposals were made by Chairman: (1) That France's anticipated exports of 6 million quintals of denatured wheat should, for the purpose of allocating the 1934-35 export quotas be considered as falling outside (and therefore as not constituting part of France's export quota) the Committee's 600 million bushels estimate of world August-July, 1934-35 net exports of wheat and flour; position in regard to denatured wheat to be reviewed at March meeting of Committee. (2) That as all export quotas are based upon net exports (i.e. total exports minus total imports) France's August-July, 1934-35 export quota of millable wheat (and flour exclusive of flour exports arising out of temporary admission into France of foreign wheat) would be 3 million quintals or 11 million bushels. (3) That when 1934-35 export quotas were re-allocated France's temporary position as an exporter would be accommodated by altering as follows the subdivision of 600 million bushels suggested in secretariat's November report:

(*a*) The estimate of 530 million bushels to four overseas exporting countries to be reduced to 526 million bushels.

(*b*) The estimate of 10 million bushels to miscellaneous exporting countries (i.e. those other than the four overseas countries, the Danubian countries, U.S.S.R., and North Africa) to be reduced to six million bushels; North Africa to be reduced to 22 million bushels. Ends.

Third: Statement that French representative addressed letter to Chairman of Wheat Advisory Committee asking exporting countries to give France assurance that when 1934-35 exporting quotas re-allocated, provision would be made to accommodate France's temporary position as exporter.

Fourth: Reply of representatives of Governments of Argentine, Australia, Canada and United States that when allocating above quotas they would accommodate France's temporary position as exporter along lines of proposal mentioned under second above.

Would appreciate cablegram today, Monday, giving views on proposed communiqué with special reference to second item, which contains proposal which you will find in letter dated 4th December from Devinat to MacMurray, forwarded with my despatch of the 7th December. Representative of Argentine, Australia, and United States raise no objection.

756.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 239 Ottawa, December 18, 1934

MOST IMMEDIATE. Your telegram No. 280. Government concur in proposed press communiqué and suggest if approved by other governments

Chairman add fifth point to his statement interpreting agreement between France and overseas exporters as stabilizing factor in situation eliminating an element of uncertainty regarding character and volume of French exports which has tended to disturb price relations and market conditions in recent months. Ends.

In view of press criticism of Wheat Advisory Committee's allegedly bearish tendencies it is thought that this comment on the satisfactory adjustment of negotiations with France will not be considered too optimistic.

757.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM Ottawa, March 3, 1935

IMPORTANT. CONFIDENTIAL. Please arrange for Vanier to represent Canada at meeting of wheat exporters on March 5.

(2). He should communicate to meeting text of following resolution for establishment of Canadian Grain Board placed on Order Paper in name of Prime Minister, on February 28:

> Resolved—That it is expedient to bring in a measure to establish a Board to be known as the Canadian Grain Board with power to purchase, receive and take delivery of wheat, oats, barley, rye and flax-seed, or any one or more of such grains for marketing and to sell, store, transport and market such grains, and to provide for the appointment of such clerks, employees and assistants as may be necessary, and to provide for their remuneration and for the expenses of, and arising out of, the operations of the Board.

(3). In making foregoing announcement he should abstain from comment or interpretation. As proposal is now before Parliament it is not possible to go into greater detail at present.

(4). With increased power to participate in marketing control, Canada maintains its support of an international wheat agreement and desires to continue the machinery of the Wheat Advisory Committee. We do not consider Canada should initiate proposals for new basis of agreement. It was definitely understood at Budapest that Argentina would bring forward concrete proposals based upon the general proposal advanced by Garcia-Arias. Argentina should not be allowed to shift responsibility for new proposals to Canada. At same time it might be made clear that we would be receptive to any Argentine proposals for raising their prices.

(5). Advise immediately of Argentine reaction.

758.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 36 London, March 5, 1935

CONFIDENTIAL. Your unnumbered message dated March 3rd received, reference, meeting of wheat exporters. Argentine representative made no comment whatever on resolution. Arias stated that he had no definite proposals to make. After exchange of views of general nature meeting adjourned until this afternoon.

759.

Le secrétaire d'État par intérim aux Affaires extérieures
au Haut commissaire
Acting Secretary of State for External Affairs
to High Commissioner

TELEGRAM 93 Ottawa, May 15, 1935

CONFIDENTIAL. Reference Wheat Advisory Committee document S.I.E. of the 1st May. In view of inability of overseas exporting countries to reach any agreement concerning control of production and exports for balance of current crop year, do you think there is any likelihood of other exporting countries accepting general obligations to regulate exports during next three years along lines of Secretariat's draft scheme? Is any consideration being given to preparation of alternative agreement which would recognize failure of efforts to secure international control of exports and concerted adjustment of production but would continue Advisory Committee on present basis as useful agency for inter-governmental consultation and cooperation on questions of wheat policy.

760.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 106 London, May 21, 1935

CONFIDENTIAL. Your confidential cablegram No. 93, Wheat Advisory Committee. Reference first question, Cairns informs me it was never intended that an attempt should be made to negotiate a new Wheat Agreement at this Session. The Secretariat's draft scheme was circulated in the hope that it

would focus discussion at this Session and indicates type of Agreement which it might prove desirable to strive for when conditions are opportune, perhaps after out turn of northern hemisphere harvest is definitely known. McDougall has discussed draft scheme with his Minister. They are inclined to favour it in principle and will probably be willing seriously to consider its concrete details with a view to reaching agreement upon it at a future Session of Wheat Advisory Committee if preliminary discussion which they hope scheme receives at this Session proves at all promising. Steere is personally of the opinion there is nothing in scheme to which United States Government would seriously object in principle. MacMurray has no official instructions on the matter except that Washington thinks that it would be premature to try and reach agreement on such a plan at the present time. MacMurray thinks scheme should be discussed at this Session with a view to eliciting as many opinions upon it as possible, and that it might then be referred, without any recommendation, to Governments for their consideration. Cairns thinks several European countries will favour scheme in principle but as it was purposely drafted without consulting anyone he cannot anticipate views of any countries regarding its concrete details. Reference second question, MacMurray states his Government would regard winding up of Wheat Agreement as a calamity and that they will do everything in their power to maintain it for at least one more crop year. Cairns informs me that Argentine, Australian, British and Italian representatives have informed him that they anticipate their Governments will favour continuation of framework of Wheat Agreement during 1935-36. United States representatives favour publication at the close of this Session of a Declaration by Committee explaining partial success of Wheat Agreement, emphasizing fact that when climatic conditions in North America return to normal international cooperation will be essential if another wheat crisis is to be avoided, and concluding with a reference to necessity to maintain Wheat Advisory Committee. At a meeting of representatives of the four overseas exporting countries it was decided that each representative would send a cablegram to his Government asking if in principle his Government would agree to continue Wheat Advisory Committee for one year on present basis of contribution as useful agency for consultation and cooperation on questions of wheat policy. Please advise by cable.

761.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 96 Ottawa, May 21, 1935

IMMEDIATE. Reference my telegram No. 93 of 15th May. Government would be favourable to renewal Wheat Agreement and have given sympathetic consideration to draft scheme set forth in appendix to document S.I.E.

In view, however, of attitude of Argentina as disclosed in conversations in February and March, we do not think that agreement on such a scheme can be expected at present time and do not think Committee would be well advised to proceed with detailed examination of proposals in absence of agreement in principle between principal wheat exporting countries.

The establishment of the Advisory Committee has undoubtedly proved to be most useful and effective outcome of the 1933 Wheat Conference and we should be glad to see it maintained on present financial footing and membership as an agency for collating, interpreting and disseminating information about wheat problems and policies. It has afforded a useful opportunity for the exchange of views between Governments and if kept in being might prove a basis upon which could be built some further effort at direct international co-operation when real facts of wheat situation are acknowledged by all countries.

In these circumstances we do not think Advisory Committee should attempt to hold France to her undertaking to export balance of her export allocation in denatured form.

Please cable attitude of other countries.

762.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 111 London, May 24, 1935

IMMEDIATE. CONFIDENTIAL. Wheat Advisory Committee. Agreement, without dissenting voice, reached on the following points: (*a*) Secretariat draft agreement, document S.I.E., referred to Governments for consideration; (*b*) Recommendation of Governments of continuance of Wheat Advisory Committee for one year. (*c*) Acceptance of French request that understanding reached at Budapest in regard to French exports be modified. It is hoped present Session will conclude tomorrow.

PARTIE 4 / PART 4
SERVICES AÉRIENS
AIR SERVICES

763.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 49 Ottawa, April 25, 1932

CONFIDENTIAL. Canadian competent authorities are informed that Mr. J. T. Trippe, President of Pan-American Airways is *en route* to London for the

purpose of discussing a transatlantic air service with Imperial Airways and other interests. Recent activities of Pan-American Airways in Maritime Provinces and Newfoundland and Mr. Trippe's visit to London point to conclusion that Company is making a determined effort to insure, as far as possible, that when the time arrives for the development of transatlantic flying, they shall control the western approaches to the airway. Canada's interest in transatlantic airway is evident as is also that of Irish Free State and Newfoundland. In the circumstances, His Majesty's Government in Canada venture to hope His Majesty's Government in the United Kingdom will not authorize commitments between Imperial Airways and an American company that might prejudice the interests of other members of the Commonwealth. They desire, therefore, to suggest that, before any commitments are entered into, the matter should form the subject of discussion during the forthcoming Imperial Economic Conference with a view to arriving at a common policy.

764.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 52 London, June 7, 1932

CONFIDENTIAL. My telegram of the 25th April, Confidential, No. 49. Trans-Atlantic Air Routes. Air Ministry have not entered into any commitments in the matter nor do they intend to do so pending Ottawa Conference. It will be appreciated, however, that there is no question of Air Ministry being in a position to authorize or withhold authorization of any commitments which may be entered into by the Imperial Airways in regard to any service not subsidized from public funds. It is understood, however, from Geddes, Chairman of Imperial Airways, whom I have seen personally, that no developments in respect of trans-Atlantic service on any route need be apprehended in the near future owing to the financial situation which has affected the foreign companies concerned at least as much as themselves, nor are his company committed to the use of any particular routes if and when trans-Atlantic flights on commercial scale become possible.

Representatives of His Majesty's Government in the United Kingdom will be glad to take the fullest advantage of the opportunity offered by the forthcoming Conference to discuss any question of civil aviation and of co-operation between Canada and the United Kingdom in such matters.

765.

Le secrétaire d'État aux Affaires extérieures au secrétaire de la colonie, Terre-Neuve

Secretary of State for External Affairs to Colonial Secretary, Newfoundland

TELEGRAM 5 Ottawa, June 10, 1932

Canadian competent authorities propose to operate an experimental air mail service between Strait of Belle Isle and Montreal during Imperial Economic Conference, trial flights to commence on 27th June and the service to be operated from 17th July to 31st August. Transfer of mails between liners and aircraft in Strait of Belle Isle would necessitate establishment of a temporary base for aircraft in vicinity of Red Bay, Labrador. Canadian Government desire to request Newfoundland Government to grant authority for such establishment at that point and to waive customs and immigration formalities on arrival and departure of aircraft to facilitate the operation of service in which time will be a vital factor. No passengers will be carried and aircraft crew will consist of Royal Canadian Air Force personnel.

766.

Le sous-secrétaire d'État, Terre-Neuve, au sous-secrétaire d'État aux Affaires extérieures

Deputy Secretary of State, Newfoundland, to Under-Secretary of State for External Affairs

St. John's, June 17, 1932

Sir,

Referring to your telegram of the 10th instant, respecting the proposal for an experimental airmail service between the Straits of Belle Isle and Montreal during the sittings of the Imperial Economic Conference, I have the honour to intimate that under date 16th instant we sent you a reply as follows:

> Referring your telegram 10th June experimental airmail service Straits Belle Isle and Montreal Ministers grant authority for establishment temporary air craft base in vicinity Red Bay and will waive Customs and Immigration formalities as desired.

The Government gladly give authority in this matter in accordance with the line of your request, and instructions were issued to the Customs Department accordingly. The Telegraph Operator or other Government Official at Red Bay will be informed of the permission that has been granted in connection with this experimental airmail service, and we trust that no difficulties may arise and that the experiment may prove successful in every way.

I have etc.

ARTHUR MEWS

767.

Le ministre de la Justice, Terre-Neuve, au ministre de la Justice
Minister of Justice, Newfoundland, to Minister of Justice

TELEGRAM St. John's, June 23, 1933

When in London discussed with Dominions Office with Air Ministry with Imperial Airways with Vanier whole question of landing and other rights in Newfoundland for air craft. Imperial Airways sending representative to Newfoundland leaving England June thirtieth. Pan American doing likewise. Probably Air Ministry will do same. Our Government cordially invites you send representative to arrive here about July fifth in expectation agreement on all points.

EMERSON

768.

Le ministre de la Justice au ministre de la Justice, Terre-Neuve
Minister of Justice to Minister of Justice, Newfoundland

TELEGRAM Ottawa, June 29, 1933

I thank you for your telegram 23rd June conveying invitation to participate in conference at St. John's for purpose of discussing airway matters. Canadian Government have much pleasure in accepting invitation and have nominated J. A. Wilson, Controller of Civil Aviation, and G. Herring, Chief Superintendent Air Mail Service, as their representatives. Wilson and Herring leaving here for Newfoundland 1st July by air.

H. GUTHRIE

769.

Le secrétaire d'État par intérim aux Affaires extérieures
au contrôleur de l'Aviation civile

Acting Secretary of State for External Affairs
to Civil Aviation Controller

Ottawa, June 30, 1933

Dear Sir,

I have to enclose herewith a copy of the telegram sent yesterday by the Honourable Mr. Guthrie to the Honourable Mr. Emerson in reply to the latter's telegram of the 23rd June regarding an invitation from the Newfoundland Government to send representatives to discuss certain airway matters in Newfoundland in the early part of July.

You and Mr. G. Herring have been nominated as the Canadian representatives.

With reference to the correspondence on these airway matters and to the question of your instructions, I may say you are authorized to assure the Newfoundland representatives of the earnest desire of the Canadian Government to cooperate with Newfoundland and the British and United States interests in the establishment of a trans-Atlantic Air Service.

The following considerations may serve as a guidance in your discussion of the relevant problems:

(*a*) In view of the work now being undertaken in Canada, the Canadian Government will be prepared in the near future to provide the necessary air navigation facilities on that part of the route lying in Canada;

(*b*) Should the question of Canada's assistance in constructing and maintaining the necessary air navigation facilities in Newfoundland be raised, the Canadian Government will be prepared at an early date to give careful consideration to this question and to cooperate in this regard with the British Government if they desire to participate in the work. As financial obligations might be entailed and it is assumed, in any case, the discussion on this point will be considered to be of a preliminary nature, you are not authorized to make any promises until the whole matter receives further consideration from the Canadian Government.

(*c*) It is desired to ensure that the trans-Atlantic terminal in Newfoundland be brought into direct connection with the trans-Canada airway system and its principal connections leading to the United States.

Your very truly,

GEORGE H. PERLEY

770.

Le Premier ministre par intérim au premier ministre de Terre-Neuve
Acting Prime Minister to Prime Minister of Newfoundland

DESPATCH 13 Ottawa, August 25, 1933

Sir,

I have the honour to acknowledge receipt of your letter dated 19 July, 1933, in which you transmitted, for the consideration of the Canadian Government, a copy of "an Act for the Encouragement of Aerial Enterprise" and also a copy of the Minute of Council which outlines your Government's policy with regard to this matter.

In reply I may state that this Government feels that the proposed Act and the policy outlined in the Minute of Council referred to above adequately and satisfactorily meets the situation, so far as the interests of Canada are concerned.

It is noted that Imperial Airways are, under Section 8 of the Act, obligated to consult the governments of Newfoundland, the United Kingdom and the Dominion of Canada in matters of policy; also that, under Section 19, a Canadian operating company may be granted similar rights to those accorded to the Imperial Airways; and finally that, under Section 13, any services established under the Act between the United States and Newfoundland must call at a port-of-call in Canadian territory designated by the Government of Canada.

I desire to express our appreciation of the courtesy which your Government has shown in keeping us informed on these matters, and in affording Canadian representatives the opportunity of meeting in Newfoundland the representatives of Newfoundland and the other interests concerned. We hope that the agreement reached at that meeting is a happy augury for co-operation between our countries in aeronautical matters, and that it will result in Newfoundland becoming an increasingly important centre in the air traffic of the future between Europe and America.

I have etc.

GEORGE H. PERLEY

771.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissariat
Under-Secretary of State for External Affairs to Office of High Commissioner

Ottawa, June 26, 1934

Dear Colonel Vanier,

In connection with the proposed development of the Ship-to-Shore Trans-Atlantic Airmail Service and of the informal offer of Imperial Airways to co-operate with this Government in that development by the loan of three Calcutta flying boats, it is now clear that owing to financial reasons it will not be possible for this Government to proceed at present with this development in a way which it was hoped might have been possible. We are not, therefore, to our great regret, able to accept at the moment the generous offer of Imperial Airways referred to above. I would be glad if you could bring this fact to the attention of Imperial Airways, at the same time assuring them of our appreciation of the motives which inspired their offer and emphasizing that our inability to take advantage of it at this time has been due entirely to financial reasons.

I may add that the Secretary of Imperial Airways was in Ottawa last week and we took advantage of the opportunity to assure him of our desire to

cooperate with Imperial Airways and of our regret that we were unable to accept at present the offer referred to above. At the same time we outlined to him our plans for air development in Canada and the steps which had been taken to carry out those plans during the last year. Also we explained to him that financial reasons, as indicated above, had prevented us doing more at this time.

Yours sincerely,

O. D. SKELTON

772.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 241 Ottawa, December 20, 1934

CONFIDENTIAL. Your telegram No. 268 of 20th November. Imperial Airways. Department of National Defence enquire whether offer of "Calcutta" flying boats or equivalent is still open. No answer can be given to request for information from Dominions Office till approximate cost is known. I am also advised by National Defence that, while it is appreciated that Imperial Airways could not, under the circumstances, have their representative who went to Newfoundland visit Ottawa, it is believed there are many points of common interest which might be discussed to mutual advantage. Apart from advantage of general exchange of views, they should be glad to have from Imperial Airways specific information on following matters:

1. Bermuda–New York Service, when it will commence, type of aircraft and other equipment to be used, nature of agreement for its operation "equally and jointly" with Pan American Airways and whether any commitment has been made for its extension into a Trans-Atlantic Air Service by a southern route.

2. Pan American Airways have made application at Ottawa for permission to operate international air mail service from a base in United States across Maritime Provinces. Though such application does not specifically state that proposed service will be extended to Newfoundland, it is probable this is intention of Pan American Airways. National Defence, therefore, wish to learn reaction of Imperial Airways to that proposal. Will Imperial Airways share "'equally and jointly" in this service as well as in operation of Bermuda route?

3. In his speech at Tenth Ordinary Meeting in London 5th November, Sir Eric Geddes referred to important and promising research work on Trans-Atlantic problem. National Defence are naturally anxious to be fully advised on this point as it might modify Canadian position as to ship to shore service materially.

Canadian authorities concerned feel exchange of views and information very necessary at this time. They desire to suggest that Imperial Airways arrange for one of their senior officers visit Canada so that whole situation be fully discussed. Meanwhile they would appreciate information on specific points enumerated above.

773.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 29 London, February 20, 1935

Your confidential cablegram No. 241 of the 20th December regarding Imperial Airways. Statement by Imperial Airways just received through Dominions Office. Summary of statement. Begins. Offer of Calcutta flying boat or equivalent still open, possibly one of these aircraft could be made available if desired. Reference to approximate cost not quite clear as for example whether cost of operation at present value or cost of transport to Canada is meant. Aircraft at present in Egypt and would require either to be shipped from there direct if occasion offered or be flown home for despatch by steamer. If Canadian Government will inform Imperial Airways what is required they will endeavour to give information without delay.

(1) New York–Bermuda service. Not expected that this service can possibly operate for 18 months or 2 years. There has been delay in connection with construction of airport and order for necessary aircraft has only just been placed. Then follows description of aircraft and details of arrangement between Imperial Airways and Pan-American Airways. Important point is that no commitment whatever has been made in regard to extension of this service into Transatlantic service by Southern route.

(2) This part of statement contains 340 [words] will telegraph if desired.

(3) Promising research work referred to by the Chairman was Mayo composite aircraft which has since been the subject of descriptive article in Technical Press but it seems impossible to hope that this development will produce early solution of Transatlantic problems and to modify materially position in regard to proposed ship-to-shore service. Summary ends.

Imperial Airways have not referred to question of a visit to Canada by one of their representatives as before taking any decision in this matter they would appreciate further information as to policy of the Canadian Government in regard to ship-to-shore service. Complete statement despatched by registered post *Majestic* yesterday.

774.

Le haut commissariat au sous-secrétaire d'État aux Affaires extérieures
Office of High Commissioner to Under-Secretary of State for External Affairs

CONFIDENTIAL London, June 21, 1935

Dear Dr. Skelton,

Sir Harry Batterbee asked me to go to see him because he wanted to show me a cablegram which was being sent to the British Ambassador in Washington, following a proposal made by the French Ambassador that the technical aspects of collaboration in Transatlantic air services might be examined by the Governments of the United Kingdom, France and the United States of America. He gave me a copy of the cablegram, which I am attaching; Batterbee told me that it was only a draft but that it would probably go very much in the form in which he showed it to me.

During the course of the conversation I gathered that an important interdepartmental meeting had taken place here: the feeling at the meeting was that the first objective that the United Kingdom ought to set itself was the establishment of an Imperial air mail service between England and Canada, probably London-Montreal, via Newfoundland. In the next place it was considered that the United Kingdom Government should aim at reaching agreement with the U.S.A. in virtue of which a joint United Kingdom—U.S.A. service (through Imperial and Pan-American Airways) via Newfoundland or Bermuda, should be established; this service would share the United Kingdom and U.S.A. mails. It was hoped that it might be possible for this country to obtain a 50% share of the air mail service in view of the great advantages which could be offered because of the fact that Newfoundland and/or Bermuda are natural stopping places en route. They realise here the importance of Newfoundland and I rather think that every effort will be made, in negotiation with the U.S.A., to obtain whatever benefits it is possible to extract because of its geographical position.

Later, after the two objectives mentioned have been secured, negotiations might be entered into with France and Germany, if the latter made any advances, with a view to reaching an arrangement which would be mutually satisfactory.

Very sincerely yours,
GEORGE P. VANIER

[PIÈCE JOINTE / ENCLOSURE]

Le «Foreign Office» à l'ambassadeur de Grande-Bretagne aux États-Unis
Foreign Office to British Ambassador in United States

DRAFT TELEGRAM Foreign Office, June, 1935

Your telegram No. 129 (of 31st May: Transatlantic Air Service). French Ambassador has approached me as anticipated and invited His Majesty's

Government on "behalf of the French and the United States Governments" to join them in studying the technical aspects of collaboration in the Transatlantic Air Services. He has proposed a visit to London by French air experts to discuss this matter.

2. United States Embassy here had already stated that such a *démarche* was not authorized by the United States Government. I therefore propose to delay making a formal reply to the French Ambassador until I have obtained further information as to the results of the French mission to Washington and the attitude of the United States Government towards this question.

3. Please inform the United States Government informally and as soon as possible of the French *démarche,* continuing on the following lines:

> Negotiations have been on foot for some time between Imperial Airways and Pan-American Airways with a view to co-operation between the two Companies in establishing an air service between Europe and U.S.A. for the carriage of mails and passengers. In this connection His Majesty's Government would be glad to learn the attitude of the U.S. Government towards this proposed co-operation between the two Companies, and to be informed whether the U.S. Government propose to enter into arrangements with other foreign interests in regard to the carriage of mails and to landing rights and other facilities in the U.S.A. for such a service.

4. For your own information we have at present under active consideration the establishment of a British air service connecting Canada with the United Kingdom as part of the general Imperial air route system. This, of course, is a matter on which we naturally enjoy complete freedom of action and is entirely independent of any agreement which may be reached for co-operation with the United States on the transatlantic air routes in general, and since it is a purely British Commonwealth concern you should not refer to it unless it is raised by the United States authorities themselves or unless you consider it necessary in order to prevent misunderstanding later.

5. Please repeat this telegram to Floud with a view to his informing the Canadian Government confidentially of your communication to the United States Government and keep him informed of developments.

775.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissariat
Under-Secretary of State for External Affairs to Office of High Commissioner

CONFIDENTIAL Ottawa, July 8, 1935

Dear Colonel Vanier,

With reference to your letter of the 21st June reporting your conversation with Sir Harry Batterbee on recent developments in the trans-Atlantic air

situation, I am enclosing, for your information, copy of a despatch which is being sent today to the Government of Newfoundland. You might find an opportunity of bringing the contents of this despatch to the attention of the Dominions Office.

The French Government's proposals undoubtedly deal with the southern route, via Bermuda and the Azores. It is known that Imperial and Pan American Airways have been studying co-operation on this route for some years as well as on the direct route via Canada and Newfoundland. Canada cannot help in the organization of the southern route as it does not touch any Canadian territory. This probably accounts for the absence of any reference to participation by Canada in the United Kingdom despatch. Canada's interests are directly affected, however, by any proposal to establish an air service by the Governments of the United Kingdom, the United States and France. It would be a costly business and would inevitably postpone any prospect of action on the direct "all red" route. There can be no objection on Canada's part to the United Kingdom Government cooperating with those of the United States and France in the investigation of the possibilities of the southern route provided it is not to the exclusion of similar investigations being made at the same time of the direct route and provided Canada is kept informed on all negotiations in accordance with the agreement reached at the Ottawa Conference in 1932.

We feel that the lead in action on the northern route should come from Canada and are, accordingly, now endeavouring to secure the cooperation of the Newfoundland Government in a survey of the best location for a trans-Atlantic base in that Colony, and in surveying the airway between the terminal chosen and the most convenient point of connection on the trans-Canada airway. When the location of the base is tentatively fixed it may be possible to establish a bi-weekly air mail service between the selected base and a suitable junction point on the trans-Canada airway, so that actual flying experience over the route may be obtained. This is the only way in which we can determine its suitability and confirm the feasibility of the base and flying route chosen.

Yours sincerely,

O. D. SKELTON

776.

Le sous-secrétaire d'État aux Affaires extérieures au gouverneur, Commission pour Terre-Neuve

Under-Secretary of State for External Affairs to Governor in Commission of Newfoundland

DESPATCH Ottawa, July 8, 1935

Sir,

I have the honour to refer to the conversations which have taken place from time to time between officers of our respective Governments regarding

the steps that might be taken in preparation for the establishment of a trans-Atlantic air service, and to inquire whether the Government of Newfoundland would be ready to cooperate with the Canadian Government in making an immediate survey to determine the best location for a trans-Atlantic base in Newfoundland, and to survey the airway between that terminal and the most convenient point of connection on the trans-Canada airway.

We are ready to despatch an experienced officer to complete these surveys, and shall be glad to learn whether your Government will find it convenient to cooperate with him.

I have etc.

O. D. SKELTON

777.

Le Haut commissaire au secrétaire d'État aux Affaires extérieures
High Commissioner to Secretary of State for External Affairs

TELEGRAM 174 London, July 27, 1935

CONFIDENTIAL. Your despatch of the 8th July, trans-Atlantic air mail development. Contents of despatch of July 8th brought to attention of Dominions Office. Please cable to what extent if any you desire information contained in second and third paragraphs of your despatch to be communicated to Dominions Office. During course of conversations today, Batterbee gave me the following information which I told him I would pass on to you. Begins. In all matters connected with trans-Atlantic flying, United Kingdom Government are anxious to work in close and continuous touch with Canadian Government. They hope to be in a position shortly to communicate to Canadian Government proposals for trans-Atlantic air mail. Shortly after proposals are communicated to Canadian Government they hope to send out representatives to Canada and United States to discuss plans in detail. These representatives would probably be permanent senior officials but composition of party not definitely settled yet. They are most anxious to keep proposal regarding visit of these representatives secret for the time being. As regards preparation and administration of aerodrome in Newfoundland, they feel having regard to their personal and general responsibility in the island that it would be preferable for them to have sole control though of course they would be delighted to have cooperation of Canada in other matters such as meteorological services etc. In addition to representatives mentioned above, they hope to send two technical officers to Newfoundland, probably within ten days to collect data for aerodrome site. Idea is that senior Government representatives mentioned above would go out as soon as practically convenient in order to discuss with Canadian Government on the spot all questions of cooperation and coordination. They think this matter can be settled more easily by friendly discussions than by an exchange of telegrams. Ends.

778.

Le haut commissariat de Grande-Bretagne au Premier ministre
Office of British High Commissioner to Prime Minister

CONFIDENTIAL Ottawa, August 8, 1935

My dear Prime Minister,

In the absence from Ottawa of the High Commissioner, I have been instructed to inform you that a reply has now been received by H.M. Ambassador at Washington to the enquiry regarding a transatlantic air service which, as dated in Mr. Archer's letter of June 25th last to you, he recently addressed to the United States Government.

In this reply, the United States Acting Secretary of State informed H.M. Ambassador at Washington that in February last an unofficial French aviation mission headed by Senator de la Grange visited the United States. The purpose of this mission was stated to be a discussion of the possibility of unified action on the part of the Governments of France, the United States and the United Kingdom in the study of the technical problems involved in the establishment of a trans-oceanic air transport service. It was explained to the French mission that while the United States Government would be glad to consider their proposals, it was thought that, as the United Kingdom Government was vitally interested in the matter, the latter should be consulted by the French authorities. The members of the French mission were authorized to make a statement to this effect to their Government, but it was made plain that the United States Government was not asking that the French approach the United Kingdom Government. On the contrary, it was emphasized that this was a question for determination by the French authorities. No commitment whatever was made during the discussions as to the future attitude of the United States Government. The United States Embassy in London was subsequently authorized to bring orally the situation described above to the attention of the competent British authorities.

With regard to the question of cooperation between Imperial Airways and Pan-American Airways, the reply of the United States Acting Secretary of State indicated that, although informed in a general way by officials of Pan-American Airways of the proposed cooperation, he did not consider that he was in possession of sufficient details to make any comment in this regard.

Finally, the Acting Secretary of State informed H.M. Ambassador that the United States Government had received no specific application from any foreign interest with regard to a permanent service for the carriage of mails or for the extension of landing rights and other facilities in the United States for a transatlantic air service and had therefore not had occasion to come to any conclusion on this point.

Yours sincerely,
A. V. COVERLEY PRICE

779.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

CONFIDENTIAL Downing Street, August 9, 1935

DESPATCH 320

Sir,

His Majesty's Government in the United Kingdom have been giving prolonged consideration to the problem of establishing an air service for the carriage of mails and passengers by heavier than air aircraft across the North Atlantic between England and Canada and the United States at the earliest possible date. They are now in a position to inform His Majesty's Government in Canada of the results of their preliminary enquiry, and to seek their assistance and co-operation in the organisation of the necessary plans.

2. A careful review has been made of the various technical methods which are at present available, or are capable of being immediately developed, for operating the service (seadromes, catapulting devices, refuelling in the air, composite aircraft, etc.), and the provisional conclusion has been reached that, while progress with these alternative methods which in some cases offer practical possibilities for the future must be watched and encouraged, plans for trans-Atlantic flying must for the time being be based on the use of flying boats. It is however proposed, as mentioned in paragraph 6 below, that an experiment should also be made with landplanes.

3. In view of the technical aspects of the problem, it is thought that attention must be concentrated on two routes, namely, the direct route via Ireland and Newfoundland and the southern route via the Azores and Bermuda.

Apart from other considerations, it is recognized that the former route has the great advantage that it could be linked direct to the Trans-Canada route, but on the information at present available there is some doubt whether it could be maintained for more than perhaps six months in the year, at any rate during the early stages of the service, in view of the adverse weather, ice formation and the state of the harbours in winter in Newfoundland. The southern route is generally favoured with better weather but it is considerably longer, and difficulties may be encountered in negotiating landing rights in the Azores.

It is, however, not possible at present to indicate the precise extent to which one or other of these routes may be used. The decision must necessarily be influenced by the results of preliminary experimental flights and by meteorological and wireless investigations.

4. Questions connected with the design and construction of aircraft suitable for the trans-Atlantic service have been under detailed consideration by an Air Ministry Committee, and special steps are being taken to expedite the

completion of two civil flying boats fitted with special tanks so as to afford adequate range. It is hoped that these two boats will be completed in the spring of 1936 so as to enable training and experimental flights to be carried out in the summer of that year. A suitable flying boat will also be made available by the Royal Air Force for preliminary training of personnel.

5. The Air Ministry Committee are also considering the design of a larger and more powerful flying boat, a number of which it is hoped may be ready in 1937 for the purpose of inaugurating a regular mail and passenger service. All steps possible will be taken to expedite the delivery of these boats.

6. Although as already stated it is thought here that at the present stage of aeronautical progress flying boats afford the best prospect for the successful development of trans-Atlantic air communications, it is proposed, in addition, to construct two experimental long-distance land planes in order to test out this alternative method of transportation, and it is hoped that they will be ready for service early in 1937.

7. In order that the necessary ground organisation may be put in hand without delay, a preliminary survey is being immediately undertaken by Air Ministry experts to locate suitable bases in Newfoundland for use by both flying boats and land planes.

8. It is also thought necessary to take further steps, in consultation with His Majesty's Government in Canada, for collecting meteorological data in Newfoundland concerning visibility and upper winds.

It is hoped that it will be possible also to arrange for the establishment of a meteorological forecasting station in Newfoundland by 1937, in readiness for the regular service. It is clearly desirable that arrangements should be made without delay for the necessary preliminary training of the staff for these stations and for the study to commence at once of the meteorological conditions of the whole route.

Discussions are proceeding with a view to the establishment of a meteorological station in Ireland (probably in the Irish Free State) for the service, and the question of the necessary re-organisation and expansion of the Bermuda meteorological station is also receiving attention.

Canadian co-operation in the organisation of the aforementioned facilities would, of course, be very welcome and it is also proposed that the opportunity should be taken of the forthcoming conference of Empire meteorologists in London to discuss the scientific problems involved in providing an adequate meteorological organisation for the service.

9. The question of the provision of the necessary wireless facilities for the service is being closely studied.

The erection of suitable wireless stations in Newfoundland and in Ireland (probably in the Irish Free State) is clearly desirable. An expansion of the Bermuda wireless service is about to be undertaken in connection with the proposed Bermuda/New York air service to be inaugurated in the summer of 1936, and it should not be difficult to equip the station there suitably for the purpose of the larger service.

In the meantime research into the problems of short wave wireless direction-finding is being prosecuted with energy, and in due course it is proposed to instal experimental equipment of this kind at Bermuda for practical tests with aircraft in regular service as soon as the Bermuda/New York service has been established.

10. Apart from the problems involved in the actual establishment of the service, the question of the arrangements in regard to the mail to be entrusted to it will require close consideration by the authorities concerned. There will obviously be no prospect of the service being able, in 1937 or immediately afterwards, to carry the whole mail. It will probably be necessary in the beginning to impose a surcharge for air mails carried between the United Kingdom and Canada, and it may be possible to supplement this mail with other surcharged mails between the United States and the United Kingdom (and the Continent of Europe).

11. His Majesty's Government in the United Kingdom are anxious to discuss all aspects of the problem with His Majesty's Government in Canada with a view to agreeing the details of operating and financial co-operation between the two Governments in the organisation of a through service between this country and Canada. Discussion will, of course, also be desirable with the Government of the United States with regard to the United States aspect of the problem. His Majesty's Government in the United Kingdom would accordingly propose that senior representatives of the Air Ministry and of the General Post Office should visit North America in the autumn of this year for the purpose of such discussion with the Canadian and United States Governments at as early a date as may be convenient to His Majesty's Government in Canada. As regards the United States aspect of the matter, it would appear expedient that the visit should be made as soon as possible as, apart from other considerations, it is understood that some conversations have been proceeding between the United States and the French Governments and it is obviously desirable to reach agreement with the United States Government before those conversations have proceeded too far.

It should be added that preliminary discussions with regard to co-operation also on the part of the Irish Free State authorities have been commenced, and there is reason to hope that such co-operation will be forthcoming in this service.

12. As regards the actual operation of the service, His Majesty's Government in the United Kingdom feel it essential to entrust so very important an undertaking to a company of tried experience and proved technical efficiency, and therefore they contemplate, so far as this country is concerned, entrusting to Imperial Airways Limited (or to an organisation formed in association with that Company for the special purpose) the development of the service on terms and conditions which will be for future negotiation and discussion. For this reason it will probably be found convenient that a representative of Imperial Airways Limited should accompany the Government representatives on their visit to North America this autumn.

Co-operation between Imperial Airways Limited and Pan American Airways Incorporated for the operation of a trans-Atlantic service to and from the United States on both the routes mentioned in paragraph 3 above has been envisaged by both Companies for some time past and close liaison has been maintained between them, although no actual commitments have so far been entered into. This association appears to offer valuable prospects for securing for any service operated by Imperial Airways (or an associated organisation) a satisfactory share of the United States mail and passenger traffic. The exact nature of the arrangements between the two Companies is obviously a matter requiring the most careful consideration and discussion by all concerned.

I have etc.

J. H. THOMAS

780.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 164 Ottawa, August 17, 1935

Your telegram No. 174 of July 27th, trans-Atlantic air development. Desire of United Kingdom to work in close and continuous touch with Canadian Government in this development appreciated. Would point out, however, that no reply yet received to our despatch of July 8th to Newfoundland Government, copy of which was forwarded to you, making proposals for such co-operation by offering to complete surveys initiated in 1932. Lack of response to this offer regretted here, particularly as weather conditions in Newfoundland and eastern Canada are very similar and participation by experienced Canadian officers in these surveys should be invaluable. Furthermore, at Saint John's Conference on trans-Atlantic air services, 1933, Canada was accorded equal rights of participation with United Kingdom in the establishment of air bases and operation of air services in Newfoundland. United Kingdom Government now state they consider it preferable for them to have sole control of bases established in colony. We feel, however, that before any final decision reached, consideration should be given to the question whether ground services, including the location and operation of the trans-Atlantic bases, and operation of necessary weather and wireless services, could not more effectively be administered by Canada. For years marine navigation aids on this coast supplied in large measure by Canada and existing Newfoundland meteorological services virtually part of similar Canadian services. Canada-Newfoundland airway a logical extension of trans-Canada airway, and similar aids to air navigation should be installed on it to give unified service from Atlantic coast of Newfoundland throughout North American continent. Administration might be found to be simpler if all cis-Atlantic

ground services under one control. Canadian experience gained during past decade in winter and summer operations in eastern Canada would be directly applicable to solution of similar problems in Newfoundland, where conditions are totally dissimilar to any experienced by British Air Ministry in United Kingdom, European, African, Indian and Australian services.

(Fully realize our delay in initiating this survey work, but would point out that delay due to necessity of completing trans-Canada airway. Are ready and anxious now to go ahead with surveys.)[1]

While recommending, for above reasons, that no final decision on control and management of ground services on this side of Atlantic should be reached by Air Ministry without further discussion with Canadian authorities (possibly during forthcoming visit to Canada of senior Air Ministry officers), we do not suggest any interference with the unified operation of any flying service which may be instituted by Air Ministry over Atlantic which will necessarily be under control of authorities and interests who have established it.

Please bring above considerations to attention of United Kingdom authorities as soon as possible. (We cannot take an aggressive stand in matter owing to Canadian delay in initiating work in question, but)[1] we are most anxious that London give full weight to considerations advanced above, and to our special position in matter and to our desire to cooperate in the most effective possible way.

781.

Le haut commissaire de Grande-Bretagne au sous-secrétaire d'État aux Affaires extérieures

British High Commissioner to Under-Secretary of State for External Affairs

IMMEDIATE Ottawa, October 1, 1935

My dear Dr. Skelton,

I have been instructed by my Government to communicate to His Majesty's Government in Canada the enclosed text of telegrams[2] exchanged between them and His Majesty's Government in New Zealand regarding an application by Pan American Airways for permission to extend the San Francisco-Pagopago service to Auckland.

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[1] Le dossier porte une note à l'effet que ce passage fut omis de la copie soumise au haut commissaire de Grande-Bretagne à Ottawa.

[2] Non reproduits.

[1] A note on the file copy of this document indicates that this passage was omitted from the copy shown to the British High Commissioner in Ottawa.

[2] Not printed.

I should be most grateful if the Canadian Government would be so good as to communicate to my Government and to the New Zealand Government, as soon as possible, any views they may have on this subject. I would call your special attention to the second paragraph of my Government's telegram of the 16th September to the New Zealand Government in which they set out reasons for objecting to the proposed agreement with Pan-American Airways.

In the circumstances it would be of considerable assistance to my Government if the Canadian Government could see their way to suggest to the New Zealand Government the desirability of some delay in coming to terms with Pan-American Airways pending the discussions at the forthcoming Conference at Ottawa.

Yours sincerely,

F. L. C. FLOUD

782.

Le premier ministre de Nouvelle-Zélande au Premier ministre
Prime Minister of New Zealand to Prime Minister

TELEGRAM Wellington, October 4, 1935

Pan American Airways desire to inaugurate service from Honolulu to Pago Pago and Auckland. New Zealand Government welcome proposal and are prepared to grant permission to company to institute an aviation service as proposed. His Majesty's Government in the United Kingdom has no objection provided it is on basis of complete reciprocity. Pan American are prepared to authorize an addition to proposed contract providing their right should terminate if hereafter a New Zealand company should be refused reciprocal rights in United States territory. Pan American Airways can now without possibility of objection by the British Government proceed as far as American Samoa but it is only extension of service to New Zealand that would make project attractive to them. His Majesty's Government in New Zealand have given careful consideration to the matter. They are convinced of desirability of service which would not conflict with Imperial Airways Tasman proposal and which at no financial cost to New Zealand would provide a valuable addition to Dominion's limited means of communication. In the opinion of New Zealand Government, British interests would be adequately protected by additional clause somewhat as proposed by Pan American Airways but extending reference to a "New Zealand company" to cover any company registered within the British Commonwealth of Nations. His Majesty's Government in New Zealand regard matter as one of very first importance to this Dominion, and subject to addition of this clause, they cannot with information at present available to them feel that difficulties in other areas to which His Majesty's Government in the United Kingdom refer are such as should deter His Majesty's Government in New Zealand

from concluding an arrangement which they are convinced is in the best interest of these Dominions. They propose therefore to act accordingly. Unless adequate reasons can be advanced to the contrary have asked His Majesty's Government in the United Kingdom for early expression of final views as it is desired to advise Pan American Airways this week whether agreement can be finalised. Have received reply from His Majesty's Government in the United Kingdom stating that they are unable to express any final opinion without consulting the Canadian Government seeing that they are vitally interested in question of trans-Pacific service. Matter is one of urgency and New Zealand Government would appreciate an early reply.

FORBES

783.

Le secrétaire d'État par intérim aux Affaires extérieures au secrétaire aux Dominions

Acting Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 74 Ottawa, October 7, 1935

CONFIDENTIAL. With reference to your confidential despatch No. 320 of August 9th regarding proposed North Atlantic air service between England and Canada and United States, Canadian Government welcome the information thus afforded and stand ready to assist and co-operate in the organisation of the necessary plans. Already as you know arrangements have been made informally for co-operation in certain preliminary investigations between our two meteorological services.

As regards the proposal in your paragraph eleven that representatives of Air Ministry and General Post Office visit North America this year for discussions with Canadian and United States Governments, it has already been provisionally agreed with your High Commissioner that these discussions should begin in Ottawa not later than November 15th.

In order to make effective preparations Canadian Government feel the need of more detailed information as to the proposed scope of these discussions and now that the date has been arranged they assume Government of United Kingdom will shortly indicate with as much particularity as may be practicable the various items and proposals which are contemplated by the general terms of your paragraph eleven.

It may be useful at this stage to indicate the view held here concerning one item of great importance which seems likely to arise. This is the question of the ownership and control of the terminal base in Newfoundland as distinguished from the operation of the air service. The latter, it is recognised, may properly be delegated to private companies of great experience. But on

general grounds as well as from analogy to the case of sea navigation it is felt every effort should be made to adopt from the outset a policy of state ownership and control of the bases and the wireless, meteorological and other ground services to be open to the use of all on equal terms. Such ground facilities will in any case in the long run be paid for by the governments concerned through subsidies of one form or another. It is considered that this item should be carefully explored during the approaching discussions.

784.

Le premier ministre de Nouvelle-Zélande au secrétaire d'État par intérim aux Affaires extérieures

Prime Minister of New Zealand to Acting Secretary of State for External Affairs

TELEGRAM Wellington, October 10, 1935

My telegram 4th October regarding Pan American Airways. New Zealand Government would appreciate early reply as matter is one of urgency. New Zealand Government desire to conclude its agreement with Company in order that it can finalise arrangements with the United States Government before October 15th. New Zealand Government would therefore be glad to have an expression of your views as early as practicable.

FORBES

785.

Le secrétaire d'État aux Affaires extérieures au premier ministre de Nouvelle-Zélande

Secretary of State for External Affairs to Prime Minister of New Zealand

TELEGRAM 10 Ottawa, October 11, 1935

IMMEDIATE. With reference to your telegrams of October 4th and 10th regarding your negotiations with Pan American Airways for the extension of their San Francisco–Honolulu Air Service to New Zealand, Canadian Government recognise the great value to New Zealand of this proposed new means of communication, and note that it does not conflict with Tasman proposal. Canadian interest in securing landing rights upon United States islands in the Pacific would arise in the event of the establishment of a trans-Pacific service from Canada which would presumably involve co-operation with New Zealand and Australian Governments, but Canadian Government does not yet contemplate such a project. In granting rights in

Canada to United States air services Canadian Government has followed the policy of securing reciprocal rights from United States Government on behalf of Canadian air services, and our experience has led us to adopt the practice of requiring United States applicants to move their Government to put applications forward through diplomatic channels. Canadian Government are doubtful whether proposed clause in agreement with Pan American Airways would turn out to be effective in practice. Proposed form of clause also raises the question of the desirability or otherwise of adopting a general practice whereby each member of the British Commonwealth, in granting rights to foreign applicants or governments, might be expected to stipulate for reciprocal rights not only on its own behalf but on behalf of the other members of the Commonwealth. Canadian Government feel that such a practice might be calculated to produce possibilities of friction not only between the various governments of the British Commonwealth and such foreign governments but also at times between the governments of the British Commonwealth themselves. But in this particular case, in view of the great importance and urgency which you attach to the project, Canadian Government are not disposed to take any position which might result in any delay whatever, and will welcome the early consummation of the project which would in practice facilitate quicker means of communications between Canada and New Zealand. It is regretted that circumstances rendered it impracticable to reply earlier.

786.

Le sous-secrétaire d'État aux Affaires extérieures au haut commissaire de Grande-Bretagne

Under-Secretary of State for External Affairs to British High Commissioner

IMMEDIATE Ottawa, October 11, 1935

Dear Sir Francis,

With reference to your letter of October 1st regarding the negotiations between the New Zealand Government and Pan American Airways for the extension of the latter's San Francisco–Honolulu Air Service to New Zealand, I now enclose for your information a copy of a telegraphic communication made today by the Canadian Government to the New Zealand Government. Copies of the New Zealand Government's telegrams of October 4th and 10th, to which we have thus replied, are also enclosed.

In view of the great importance and urgency attached to this matter by the New Zealand Government; of our difficulty in seeing any very practical basis for linking this matter with North Atlantic matters; and of our being in no position to offer to New Zealand an alternative immediate service, it

was not felt that the Canadian Government would be justified in suggesting to the New Zealand Government a delay in their project pending the forthcoming discussions at Ottawa.

Yours sincerely,

O. D. SKELTON

787.

Le secrétaire d'État aux Affaires extérieures au chargé d'affaires aux États-Unis

Secretary of State for External Affairs to Chargé d'Affaires in United States

DESPATCH 319 Ottawa, November 13, 1935

Sir,

I have the honour to refer to the subject of trans-Atlantic air services concerning which, as you have already been advised, discussions are to take place in Ottawa this month between representatives of the Governments of Canada, the United Kingdom, the Irish Free State, and Newfoundland.

Following these discussions the United Kingdom representatives propose to go to Washington to discuss with the Government there the matter of participation by the United States in such air services, and I am informed that representations to that end were made to the United States Secretary of State last week.

The Canadian Government wish to participate in these discussions, and, if the United States Government are agreeable, would send representatives to Washington simultaneously with the United Kingdom representatives. You should, therefore, advise the United States Government in this sense, pointing out that the Canadian Government would welcome any improvement of the means of communication between different regions of the world, and are anxious that any facilities under their control that could further the establishment of trans-Atlantic air services may be put to the best use in the common interest.

It is possible that the Irish Free State Government will wish their representatives to take part in the Washington discussions, and you should take your action in consultation with your Irish colleague as well as with the British Ambassador, though your action need not be simultaneous.

I have etc.

LAURENT BEAUDRY
for the Secretary of State
for External Affairs

788.

Le chargé d'affaires aux États-Unis au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires in United States to Secretary of State for External Affairs

DESPATCH 1222 Washington, November 23, 1935

Sir,

With reference to my Despatch No. 1211 of November 18th, 1935, and previous correspondence concerning the proposed discussions on the subject of trans-Atlantic air services, I have the honour to enclose a copy of a note from the Department of State, dated November 22nd,[1] in reply to my note of November 18th suggesting the participation of Canadian representatives in the conversations to take place in Washington. This reply is identical in substance with that previously sent to the British Ambassador.

2. I shall be glad if you will be good enough to inform me by telegram of the names and time of arrival of the Canadian representatives.

I have etc.

H. H. WRONG

789.

Le secrétaire d'État par intérim aux Affaires extérieures au chargé d'affaires aux États-Unis

Acting Secretary of State for External Affairs to Chargé d'Affaires in United States

TELEGRAM Ottawa, November 27, 1935

It is desired to discuss with the Inter-Departmental Committee on Civil International Aviation proposals for the joint operation, under Government auspices, of trans-Atlantic air services between the United Kingdom and the United States by a Company nominated by the Commonwealth Governments concerned and a United States Company, with particular reference to the direct route via the Irish Free State, Newfoundland and Montreal.

Discussions would include the following subjects: 1. Postal arrangements. 2. Arrangements for terminal airports and landing rights. 3. Methods of operation. 4. Frequency of services. 5. Ground organization. 6. Programme of experimental and development work.

[1] Non reproduite. [1] Not printed.

A similar communication is being made through their respective Washington channels by United Kingdom and Irish Free State representatives participating in present Ottawa discussions. United States Minister was informally advised of the substance of the foregoing matters yesterday.

790.

Le chargé d'affaires aux États-Unis au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires in United States to Secretary of State for External Affairs

TELEGRAM Washington, December 5, 1935

CONFIDENTIAL. On opening of conversations on transatlantic aviation this morning, the Secretary of State received the representatives of the Commonwealth Governments and spoke briefly in friendly and co-operative terms. At the subsequent meeting with the members of the United States Interdepartmental Committee on Civil International Aviation, Mr. Walton Moore made it clear that the United States representatives could only make recommendations for the President's consideration. After discussion of the steps taken during recent years by Pan-American and Imperial Airways with knowledge of the Governments represented, it was decided that the representatives in Washington of the two companies should immediately submit drafts of proposals, indicating the general nature of the application for landing rights each might make to the Governments concerned. A technical committee of Governmental representatives was appointed to cooperate with the companies. It is hoped that general discussion will be resumed tomorrow afternoon on basis of data submitted by the companies and examined by the technical committee.

791.

Le chargé d'affaires aux États-Unis au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires in United States to Secretary of State for External Affairs

TELEGRAM Washington, December 12, 1935

My telegram 11th December. Discussion on transatlantic air services ended this morning with notification that the United States Government would approve application of Imperial Airways. Christie will arrive Ottawa, noon tomorrow.

PARTIE 5/PART 5

RADIO

792.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 275 Ottawa, August 17, 1931

Sir,

I have the honour to refer to your Circular Despatch A. No. 108, of the 20th June, 1931, and its accompanying copy of a note from the Spanish Ambassador conveying an invitation to the International Radiotelegraph Conference to be held in Madrid in September, 1932.

His Majesty's Government in Canada desire to accept this invitation and request that their acceptance be conveyed, in due course, to the Spanish Government.

The Canadian competent authorities have noted the other parts of the contents of the note under reference.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

793.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 379 Ottawa, November 2, 1931

Sir,

I have the honour to refer to your circular despatch A. No. 170 of the 16th October, 1931, and its enclosure, conveying an invitation of the Spanish Government to the International Telegraph Conference, which is to be held in Madrid in September, 1932.

While, as you are aware, Canada is not a party to the International Telegraph Convention, the Canadian Government will be glad to respond to the invitation by giving to their delegates to the International Radiotelegraph Conference full power to deal with questions relating to the International Telegraph Convention.

I would accordingly request that the Spanish Government be informed of that decision.

I have etc.

O. D. SKELTON
for Secretary of State
for External Affairs

794.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 65 Ottawa, May 18, 1932

A note of 12th May from United States Legation raises the question of voting at forthcoming Madrid Conferences and suggests one vote for each country, without reference to number or importance of colonies. According to suggestion thus made, voting would be restricted to independent countries and to territorial units such as Members of British Commonwealth of Nations. It is stated in note that proposal has already been accepted by the Governments of Germany, Italy, Japan, Spain and the United States. His Majesty's Government in Canada are strongly inclined to accept suggested plan which seems satisfactory as regards each Member of British Commonwealth. Before sending a reply to note from United States Legation, I should be glad to learn views of His Majesty's Governments in the United Kingdom and India. Telegrams in the same sense are also addressed to other members of British Commonwealth.

795.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B.65 London, June 11, 1932

Ottawa telegram of the 18th May. Voting at Madrid Radiotelegraph Conference. The United States Ambassador enquired also of us whether we would be prepared to approve a plan for the elimination of all Colonial votes whereunder voting would only be exercisable by His Majesty's Governments in the United Kingdom and the Dominions and by the Government of India.

We have understood proposals as implying distribution of votes at this Conference on the basis adjusted at Conferences held under the aegis of the League of Nations. We have long anticipated that some such solution might be proposed, and although it is still doubtful whether it will command acceptance of the other countries with the Colonial Possessions at present opposed to it, we have after careful consideration come to the conclusion that it should be supported.

We are now informing the United States Ambassador accordingly, with the addition of the proviso that if the plan should not be adopted at the Conference we should feel entitled to insist that number of votes allotted to the British Colonies and Dependencies should not be inferior to that allotted to the Colonies and Dependencies of any other country.

The Government of India concurs in this view.

796.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 91 Ottawa, June 21, 1932

Your circular B.65 of the 11th June. Voting at Madrid Radiotelegraph Conference. His Majesty's Government in Canada have noted conclusion reached and action taken by His Majesty's Government in the United Kingdom and concurrence of Government of India. In reply to my telegrams of the 18th May to other Dominions, I was advised as follows: New Zealand considers that Dominion Governments represented at Conference should exercise vote in their own right. Union of South Africa whilst inclined to support proposal of the United States prefers to defer final decision pending meeting of Dominion delegates in London preparatory to Madrid Conference. Irish Free State considers suggested plan to be satisfactory and has notified United States Legation accordingly. Reply from Australia is still to come. I am now informing the United States Minister that Canadian Government are prepared to accept proposal as put forward by his Government.

797.

Le ministre des États-Unis au secrétaire d'État aux Affaires extérieures
United States Minister to Secretary of State for External Affairs

No. 523 Ottawa, July 27, 1932

Sir,

Under instructions from my Government, I have the honor to bring the following matter to your attention.

The International Radio Conference, which is to convene at Madrid September 3, 1932, will probably revise the International Radio Convention and Regulations signed in 1927 and give them a form which will remain unchanged for a number of years. Within the framework of the International Radio Convention it may be desirable for the interested Governments of North America to enter into regional agreements respecting the use to be made of certain frequencies.

Since radio experts of the several Governments will probably be in attendance at the Madrid Conference, it would appear to be convenient for them, at that time, to discuss the bases of a possible North American regional agreement on radio. The steps which it might be necessary to take after the Conference in order to conclude such an agreement could be determined after the results of the conversations at Madrid are made known to the respective Governments.

It is believed that representatives of the United States, Canada, Mexico, Cuba, and Newfoundland could profitably carry on conversations at Madrid which would include the use of broadcast frequencies and such other frequencies which, because of their transmission characteristics, may cause interference in North America but not in other parts of the world. An arrangement similar to that suggested but relating only to high frequencies was entered into in 1929 between the United States, Canada, Cuba, and Newfoundland.

While the United States Government believes that the conversations should be confined to those countries which will be likely to create or to suffer from interference occasioned by frequencies of the type mentioned, it has no desire to limit participation to the United States, Canada, Mexico, Cuba and Newfoundland if any of those countries believe that others should be included.

I should appreciate being informed of your views as to the desirability of holding such conversations and as to the Governments whose representatives should participate in them. Similar inquiries are being addressed to the other Governments mentioned.

Should the Canadian Government favor the proposal, my Government would appreciate obtaining the names of the Canadian representatives as soon as may be convenient. The Legation is to be informed of the replies of the other interested Governments as soon as they are received and of the names of the United States representatives when it is apparent that the holding of the suggested conversations is favored by the Governments to which the matter has been broached.

I avail etc.

PIERRE DE L. BOAL
for the Minister

798.

Le secrétaire d'État aux Affaires extérieures au ministre des États-Unis
Secretary of State for External Affairs to United States Minister

No. 122 Ottawa, August 17, 1932

Sir,

I have the honour to refer to your notes No. 523 of the 27th July and No. 536 of the 12th August, 1932, suggesting that representatives of Canada, the United States, Mexico, Cuba and Newfoundland should hold conversations, during the Madrid Conference, regarding the bases of a possible North American regional agreement on radio.

The Canadian competent authorities also believe that representatives of the countries concerned could profitably carry on conversations at Madrid as proposed. The Canadian delegation, therefore, will be authorized to participate in the suggested conversations. It will be composed as follows:

Honourable Alfred Duranleau, K.C., M.P., Minister of Marine in the Government of Canada, principal delegate;

Jean Désy, Esquire, Counsellor in the Canadian Legation at Paris, France;

Lieutenant-Colonel P. A. Steel, National Research Laboratories.

The following officials will accompany them as technical advisers:

Captain W. L. Laurie, Radio Engineer in the Canadian Department of National Defence;

J. W. Bain, Esquire, Radio Engineer in the Canadian Department of Marine;

Donald Manson, Esquire, Chief Radio Inspector in the Canadian Department of Marine.

It is noted that the United States Government have authorized certain members of the United States delegation to take part in the conversations.

As to the other Governments whose representatives should participate in the conversations, the Government of Canada shares the opinion of the United States Government as expressed in your note No. 523 under reference.

Accept etc.
W. H. WALKER
for Secretary of State
for External Affairs

799.

La délégation à Madrid au secrétaire d'État aux Affaires extérieures
Delegation in Madrid to Secretary of State for External Affairs

TELEGRAM Madrid, November 15, 1932

Following for your Prime Minister. Begins. Main delay of this Conference has been extreme difficulty in finding additional waves required by broadcasting interests, although their claims well founded. Shipping companies still using spark transmitters require much wider bands than traffic warrants. With approval of Minister of Marine circuit joined Mexico and Cuba in plan designed to solve both European and North American troubles. This plan involved moving ships distress bands but did not involve any reduction in space available for ships. Plan supported by the United States delegation and American shipping but opposed by England and was dropped. At present we are trying

to preserve our right to make regional arrangements in North America regarding these matters giving full consideration to marine requirements. This requires acceptance by Conference of our interpretation of certain clauses in new regulations. Many now in favour and feel that general acceptance assured. Cuba and Mexico prepared to make definite reservations regarding broadcasting unless their demands are met either by acceptance of our interpretation or by definite allocations. Consider this very dangerous as it would give them full scope while leaving our hands tied. Should this develop would then advise strongly having Canada also reserve her right to make regional arrangements. Our policy throughout has been to safeguard very limited number of broadcasting channels now available Canada. This can be done only by making suitable arrangements with Cuba and Mexico either here or during later North American Conference. Shipping Chamber representative not here during these discussions but has returned. Takes very arbitrary attitude and is not supported by European Powers. European countries have very drastic proposals for broadcasting under regional arrangements in Europe. Regarding sparks we supported the United States proposal to abolish all sparks after 1940 including small transmitters. This is in line with policy of Marine Department since Washington and very desirable step from all points of view. Universal acceptance unlikely. Situation is still obscure but definite progress expected this week. Will cable again as soon as situation is definite.

STEEL

800.

La délégation à Madrid au secrétaire d'État aux Affaires extérieures
Delegation in Madrid to Secretary of State for External Affairs

TELEGRAM Madrid, November 17, 1932

Reference delegation instructions. Committee considering combined Convention has produced draft suitable to the United States except for article concerning priority of telegrams and telephone calls. United States have requested instructions from Washington on this point as it involves legislation permitting Government impose such conditions on private companies. For draft article see proposals No. 74 Telegraphic Regulations, Great Britain re combined Convention. Would recommend that Canada sign combined Convention as present drafted reserving on priority clause by protocol if you consider necessary. See procedure Canada-London Conference 1912. Russia has withdrawn from Committee due to form of Convention adopted. Suggest you discuss with Mr. Duranleau who should reach Ottawa Sunday. Should receive my instructions early next week as Conference should conclude within the next twelve days at the present rate of progress unless deadlock develops in Europe over frequency tables. This situation still not clear.

STEEL

801.

Le secrétaire d'État aux Affaires extérieures à la délégation à Madrid
Secretary of State for External Affairs to Delegation in Madrid

TELEGRAM Ottawa, November 23, 1932

Your telegrams 15th and 17th November. I have taken up matters with Mr. Duranleau who advises on following points. Begins. (1) It is desired to have text of regulations referred to regarding regional arrangements. Generally speaking, any regulation so ambiguously worded as to give rise to conflict in interpretation is undesirable and should be redrafted. (2) Reservation by Canada on broadcasting may be deemed necessary as last resource. If situation develops that Cuba and Mexico make reservations it is desired you cable text thereof and hold matter open as far as Canada is concerned until you receive instructions. (3) As regards suitable arrangements with Cuba and Mexico, it is considered negotiations at Madrid should be limited to conversations. (4) As to complete abolition of spark transmitters in ships after nineteen forty, meeting of February last year in Department of Marine accepted representations of Shipping Federation, etc. that for economic reasons there should be no change in existing regulation eight, sub-paragraphs two and three of Washington Convention. Any proposals, therefore, involving a change should be opposed. (5) Regarding priority clause, we would prefer clause be transferred from Convention to telegraph regulations and you should try to secure approval of this change. Information from Washington yesterday was that United States were prepared to sign combined Convention including priority clause similar to proposal seventy-four. If their delegation confirms this, you are authorized to accept and sign same for Canada. Ends.

802.

La délégation à Madrid au secrétaire d'État aux Affaires extérieures
Delegation in Madrid to Secretary of State for External Affairs

TELEGRAM Madrid, November 24, 1932

Reference to my telegram of the 17th November and my telegram of the 23rd November. Committee originally adopted single Convention without qualifying clause. This caused Russia withdraw from Committee. United States delegation had been instructed not to accept any qualifying clause and to move for two Conventions if principle of qualifying clause was adopted. Great Britain had previously supported us on both points. Under pressure from Russia British delegation without warning reversed its position and

plenary session today adopted single Convention including clause relieving any Government from responsibility in connection with Articles referring to any regulations it does not sign. United States now asking Washington for new instructions. United States now willing to accept priority clause as drafted. Forward instructions regarding Convention. Feel that Convention greatly weakened by clause but assume we should follow the lead of the United States. Referring to my telegram of the 15th November, have succeeded in having the United States make statement before Technical Committee on behalf of all American countries reserving our right to make such regional arrangements in North America as may be necessary to solve our broadcasting problems. This statement supported by Canada, Cuba, Mexico and accepted by Committee on parity with European arrangements already adopted. Reserves now unnecessary as rights fully protected. Main problems of all settled including frequency allocation. Should finish next week. Propose bringing back Désy this week.

STEEL

803.

La délégation à Madrid au secrétaire d'État aux Affaires extérieures
Delegation in Madrid to Secretary of State for External Affairs

TELEGRAM Madrid, November 28, 1932

Following for Prime Minister. Reference my wire 24th. Now appears probable United States will so qualify statement made regarding North American Conference as to render this statement useless. Cuba and Mexico will then reserve. Request authority join in this reservation to protect our broadcasting service. Reserve would take form of protocol to regulations along following lines. Mexico, Cuba and Canada reserve liberty of action in Bands 440 to 485 and 515 to 515 [550?] kilocycles but undertake completely protect distress band and not to produce any undue interference with mobile services in bands mentioned. May never be necessary use such liberty but unless this lever is available feel convinced United States will refuse give up any channels to Mexico or Cuba and they will continue place high power stations on our channels completely wrecking our proposed scheme. Have established very friendly feelings between Mexico and Canada through conversations only and am convinced we can work out satisfactory scheme under this reservation even if United States stays out. Would point out we are now using one channel and Marine Department have already notified intention use two other channels in these bands. Plenary session tomorrow wire instructions soon as possible. Even if permission granted will not make reservations unless [no] other course open. Have only learned of United States move now.

STEEL

804.

Le sous-secrétaire d'État aux Affaires extérieures à la délégation à Madrid
Under-Secretary of State for External Affairs to Delegation in Madrid

TELEGRAM Ottawa, November 28, 1932

Your telegram 28th November to Prime Minister. In the event of United States Delegation not being prepared to make entirely satisfactory statement regarding North American Conference along lines previously indicated, we agree you should make reservation to following effect. Begins. Canada is of opinion that broadcast band 1500 kc to 550 kc is adequate to provide for all broadcasting requirements in North America but in the event of the nations of North America not being able to arrive at a mutually satisfactory allocation of frequencies, Canada reserves the right, in addition to using frequencies in broadcast band as set forth above, to use any frequency in the band 550 kc to 440 kc for broadcasting with the exception of the distress band 515 kc to 485 kc. Canada at the same time undertakes in that case to use the frequencies below 550 kc in such location and in such a manner as to cause minimum interference with the maritime mobile services using these channels. Ends.

805.

Le secrétaire d'État aux Affaires extérieures à la délégation à Madrid
Secretary of State for External Affairs to Delegation in Madrid

TELEGRAM Ottawa, November 29, 1932

With further reference to your first telegram of 28th November. (1) We have no objection to qualifying clause as set out. (2) As to priority clause, we have previously concurred in the acceptance of a combined convention containing such clause for Government messages on the understanding that United States Delegation is also prepared to accept Convention with clause included. (3) As to telegraph code language, we assume this will be embodied in Telegraph Regulations to which Canada will not subscribe. Generally speaking, any regulation on this subject acceptable to the United States and Great Britain would be acceptable to Canada. (4) Subject to my telegram last night regarding reservation on North American broadcasting situation, we see no objection to Canada signing combined Convention on the understanding that United States are also going to sign it. If they are not to sign, matter should once more be referred over here for further consideration by Canadian authorities.

806.

La délégation à Madrid au secrétaire d'État aux Affaires extérieures
Delegation in Madrid to Secretary of State for External Affairs

TELEGRAM Madrid, December 9, 1932

Replying your wire [December] second . . . Have arranged for satisfactory statement in minutes plenary session safeguarding our broadcast rights for North American Conference. Reservation will be unnecessary. Closing sessions Friday and Saturday. Convention and radio regulations finished. Telephone and telegraph regulations and signing yet remain.[1] All leaving Saturday night for Paris and London.

STEEL

[1] La convention fut dûment signée et le décret C.P. 2736 du 30 décembre 1933 en autorisa la ratification.

[1] The Convention was duly signed and, by P.C. 2736 of December 30, 1933, was authorized for ratification.

CHAPITRE VI / CHAPTER VI

ACCORDS BILATÉRAUX

BILATERAL ARRANGEMENTS

Australie; Autriche; Belgique; Antilles britanniques; Amérique Centrale et Amérique du Sud; Chine; France; Allemagne; Indes; Italie; Japon; Terre-Neuve; Nouvelle-Zélande; Pologne; Afrique du Sud; Rhodésie du Sud; Espagne.

Australia; Austria; Belgium; British West Indies; Central and South American countries; China; France; Germany; India; Italy; Japan; Newfoundland; New Zealand; Poland; South Africa; Southern Rhodesia; Spain.

AUSTRALIE/AUSTRALIA

807.

Le secrétaire d'État aux Affaires extérieures au ministre des Marchés et du Transport d'Australie

Secretary of State for External Affairs to Minister for Markets and Transport of Australia

TELEGRAM Ottawa, January 20, 1931

IMMEDIATE. Following discussion between Canadian Government and members of Australian delegation December 31st and further discussion between yourself and Prime Minister at Calgary, proposed Trade Agreement has received further consideration by Canadian Cabinet.

Schedule A December 30 draft was modified as follows:

. . .

Provided, that except as otherwise indicated in this schedule, the British Preferential Tariff rates shall apply.

It will be noted that schedule A as modified contains definite rates to Australia on substantial number of items as well as indicating spread. Not practicable at present to indicate in further detail schedules of forthcoming tariff, which have not been definitely settled.

808.

Le ministre des Marchés et du Transport d'Australie au Premier ministre
Minister for Markets and Transport of Australia to Prime Minister

TELEGRAM [At Sea], S.S. *Aorangi,* January 23, 1931

Your cable of the 20th January received. Extremely disappointed to learn that Cabinet reconsidered and varied unanimous decisions of Ministers I met 31st December following upon which at public gathering I expressed complete satisfaction with our negotiations. I regard particularly item No. 18 of supreme importance both economically and psychologically, especially in view of our guarantee to Canada that prices would not be increased. Am personally convinced, in view of heavy adverse balance of trade already against Australia and value of our offer to you, that if your Cabinet decision is adhered to it will greatly lessen enthusiasm of my Cabinet for whole treaty and will make my task extremely difficult. Would be glad if you could have matter reconsidered even if only 4 cents granted and advice sent me to ship prior to my arrival Australia thirtieth. Have directed Australian Trade Commissioner to get in touch with you. Shall be glad if you would intimate to him modifications. Regards. Message ends.

MOLONEY

809.

Le ministre des Marchés et du Transport d'Australie au Premier ministre
Minister for Markets and Transport of Australia to Prime Minister

TELEGRAM Auckland, January 23, 1931

More mature consideration of your proposals of the 20th January increases fear of embarrassment on arrival at Australia. I was not [*sic*] firmly under the impression that your Cabinet, whom I met on the 30th December, [were] fully empowered to make definite offers and that actual rates only were subject to your personal decision. Decisions arrived at with your Cabinet, especially on item No. 18, so impressed me that I was firmly convinced that [they] would be of material benefit to Australian producers that I made favourable reference to proposed Treaty at all public and private meetings throughout central and western Canada, where my statements were received by your people with the greatest enthusiasm and also cabled to Australia. Modification of items Nos. 7, 16, 18 and 19 will undoubtedly have not only an adverse economic influence but also a psychological one on our producers' minds. Extremely anxious that these items be reconsidered. Does offer made by Stevens regarding surplus stock of hops still stand? Cable from Australian Trade Commissioner indicates that items Nos. 4, 6, 10, 17, 21 and 28 not fixed, but surely this cannot be correct. Most anxious should have satisfactory advice all

these points before reaching Australia so that in my public statement on arrival I may be able to avoid any variation of previous cabled press message. Feel sure you will agree that any indication now that hitch has occurred at your end would cause the greatest misunderstanding among the people of both our countries. Please forward copies of decode of this message to Australian Trade Commissioner.

MOLONEY

810.

Le secrétaire d'État aux Affaires extérieures au ministre des Marchés et du Transport d'Australie

Secretary of State for External Affairs to Minister for Markets and Transport of Australia

TELEGRAM Ottawa, January 27, 1931

IMMEDIATE. CONFIDENTIAL. Your two cablegrams of 23rd received and considered by Cabinet with your Trade Commissioner present. When meeting you 31st December Cabinet thought record only tentative and did not realize your Delegation understood margins were being finalized. Very much regret misunderstanding but please accept assurance every desire our Government bring negotiations to mutually satisfactory conclusion . . .

811.

Le ministre des Marchés et du Transport d'Australie au Premier ministre

Minister for Markets and Transport of Australia to Prime Minister

TELEGRAM Canberra, May 16, 1931

Your cable No. 14. New Article 9. Following form considered more appropriate.

If—(a) at any time either party to this Agreement gives notice in writing to the other party that, in consequence of the importation of goods of a kind specified in the notice, being the produce or manufacture of the exporting country, into the other country, the sale of similar goods produced in that other country is being prejudicially or injuriously affected; and

(b) measures agreed upon between the parties as being sufficient to remedy the conditions complained of, are not put into effect by the Government of the exporting country within three months from the date of the notice,

then, until the notice is withdrawn by the Government of the importing country, goods of the kind specified in the notice shall, notwithstanding any other provision of this Agreement, not be subject to the operation of this Agreement.

(2) The parties agree to endeavour to reach a satisfactory arrangement, with a view to the withdrawal of the notice with the least possible delay.

(3) On the withdrawal of the notice, goods of the kind specified in the notice shall again become subject to the operation of this Agreement.

MOLONEY

812.

Le Premier ministre au ministre des Marchés et du Transport d'Australie
Prime Minister to Minister for Markets and Transport of Australia

TELEGRAM 24 Ottawa, May 21, 1931

IMMEDIATE. Your four telegrams May 16th and telegrams May 19th and 20th, respecting proposed Trade Agreement received. Greatly regret your Government has not found it practicable to accord preferences on pulp and wrapping paper, but in view of the mutually advantageous character of the Agreement as a whole the Canadian Government is prepared to conclude it immediately on the basis outlined with the following modifications.

Article IX. Accept your text generally but part of paragraph (b) seems ambiguous. Possible interpretation is that exporting country, by refraining from reaching agreement as to measures to be taken to remedy conditions complained of, could nullify whole Article which undoubtedly is not the intention. As remedial action under Article IX is complementary to our waiving dumping provisions under Article IV, we deem it necessary that Article IX afford an effective remedy should occasion arise to invoke it. Therefore would suggest deletion of words "agreed upon between the parties as being sufficient" and substitution therefor of words "sufficient in the opinion of the Government of the importing country". If this or our previous draft not acceptable would appreciate your views as to why our wording considered not satisfactory. . . .

BENNETT

813.

Le Premier ministre au premier ministre d'Australie
Prime Minister to Prime Minister of Australia

TELEGRAM Ottawa, June 5, 1931

IMMEDIATE. Stevens and I have just executed Agreement which we confidently believe will be of great advantage to both our countries, and an example to other parts of the Empire. Heartiest congratulations and kindest personal regards.

BENNETT

814.

Le secrétaire d'État aux Affaires extérieures au ministre des Marchés et du Transport d'Australie

Secretary of State for External Affairs to Minister for Markets and Transport of Australia

TELEGRAM 53 Ottawa, August 5, 1931

IMMEDIATE. The Act approving Trade Agreement between Australia and Canada duly received assent and Proclamation was issued bringing it into effect on August third. Copies of Act being mailed. Please advise whether your Proclamation has been issued.

815.

Le ministre des Marchés et du Transport d'Australie au Premier ministre

Minister for Markets and Transport of Australia to Prime Minister

TELEGRAM Canberra, August 6, 1931

Your cablegram fiftythree. The Act approving trade agreement between Canada and Australia duly received assent and proclamation was issued here on thirtieth July bringing it into effect on third August. Copy of Act and Proclamation being mailed.

MOLONEY

816.

Le secrétaire d'État aux Affaires extérieures au premier ministre d'Australie

Secretary of State for External Affairs to Prime Minister of Australia

TELEGRAM 12 Ottawa, June 12, 1934

IMMEDIATE. Since the conclusion of the Trade Agreement between Canada and Australia in 1931 there have been small but increasing shipments of Australian wheat flour to the Province of British Columbia in which Province there is, we believe, a field for the development of a stable market for Australian flour. In recent weeks, however, information has been received that as result of initiative on part of importers in this country there are shipments en route to Eastern Canadian markets where soft wheat is produced to supply amply requirements. Reports of these movements are demoralizing the Eastern Canadian flour market, as quotations have been made at prices much lower than those currently being received for equivalent grades of Canadian flour. In these circumstances the Canadian Government is reluctantly compelled to give formal notice, under the provisions of Article 9

of the Trade Agreement, that the sale of Canadian flour is being prejudicially or injuriously affected and that, in accordance with the terms of this Article, if measures to curtail drastically the exports of the said flour to Eastern Canadian markets are not put into effect by the Government of Australia within three months from this date, Australian flour when imported into Canada shall be subject to the General Tariff.

My colleagues and myself very deeply regret that it has been necessary to invoke Article 9 of the Trade Agreement, but I am sure you will understand that we could not permit an important Canadian market to be demoralized in this period of great economic stress. It is hoped that your Government will find it possible to take measures to render the application of the General Tariff unnecessary and so to conserve the British Columbian market for Australian flour.

817.

Le premier ministre d'Australie au secrétaire d'État aux Affaires extérieures
Prime Minister of Australia to Secretary of State for External Affairs

TELEGRAM Canberra, June 22, 1934

Your telegram 12th June, No. 12, giving notice under Article IX of the Trade Agreement in respect to the Importation of Australian flour into Canada. Would suggest that position which has arisen is merely temporary phase similar to importations into Australia last year of cement from Eastern Canada. My Government understand that only 680 tons of flour so far shipped Eastern Canada, and space booked for 1600 tons July shipment. It would appear that these quantities unlikely to demoralize Eastern Canadian market. My Government would be glad for information as to extent of curtailment of shipment which is necessary to meet your Government's wishes and would also appreciate advice whether flour of a similar character is being imported into Eastern Canada from other countries.

818.

Le secrétaire d'État aux Affaires extérieures au premier ministre d'Australie
Secretary of State for External Affairs to Prime Minister of Australia

TELEGRAM 17 Ottawa, July 19, 1934

Your telegram July 16th. All flour arriving before September 12th will be admitted free of duty. In view of your assurance of prohibition of export of flour to Eastern Canada after July 31st the Canadian Government is also prepared to permit free entry of flour shipments by *Canadian Victor* July 24th and *Canadian Challenger* July 31st due to reach Canadian ports from one to two

weeks after September 12th. This arrangement is contingent on total shipments by both vessels not exceeding 1,020 tons which comprises amount stated in your telegram as having already been booked and in event that cancelled orders are renewed includes provision for 350 tons cancelled. Would be grateful for your confirmation of this understanding.

819.

Le premier ministre d'Australie au secrétaire d'État aux Affaires extérieures
Prime Minister of Australia to Secretary of State for External Affairs

TELEGRAM Canberra, August 8, 1934

Your telegram 19th July, No. 17. As cancelled contracts were not renewed, *Canadian Victor* which sailed on July 24th carried last shipment of Australian flour to Eastern Canada, namely, 670 tons. Regulations to prohibit shipments of flour to Eastern Canadian ports issued. In the meantime Canadian National Steamships requested to refuse any bookings for flour Eastern Canada. Australian millers report that owing to the absence of official announcement by your Government British Columbia importers are hesitant in regard to placing orders for Australian flour. In view of this uncertainty, and as my Government has taken action to prohibit the export of flour to Eastern Canada, it would be appreciated if your Government would make immediate announcement indicating that Australian flour would be allowed entry into Western Canadian ports free of duty.

820.

Le secrétaire d'État aux Affaires extérieures au premier ministre d'Australie
Secretary of State for External Affairs to Prime Minister of Australia

TELEGRAM 19 Ottawa, August 13, 1934

Your telegram August 8th. The action of your Government in issuing regulations to prohibit shipments of flour to Eastern Canadian ports will, we believe, provide a satisfactory solution of the difficulty complained of in my telegram No. 12 of June 12th, and the notice under Article IX set forth in that telegram is accordingly withdrawn.

It would not be practicable under Canadian law to accord free entry into Western Canadian ports only but in accordance with the suggestion set forth in your telegram under reference it is proposed to issue the following announcement to the press for publication on the morning of August 15.

> Negotiations have been proceeding with the Australian Government following the notice on June 12th under Article IX of the Trade Agreement between Canada and Australia that, as the sale of Canadian flour was being prejudicially affected as a result of shipments of Australian flour to Eastern Canadian markets,

the General tariff would become applicable to Australian flour if measures to control exports to Eastern Canadian markets were not put into effect within three months from that date. A satisfactory arrangement having now been reached under which the Australian Government has agreed to prohibit further shipments of Australian flour to Eastern Canadian ports, the notice given under Article IX has been withdrawn. Accordingly Australian flour, the export of which is permitted to Western Canadian ports, will continue to enjoy entry free of Customs duty under tariff item 60.

We trust this arrangement will result in conserving the British Columbian market for Australian flour and that it will redound to our mutual advantage. We sincerely appreciate the fine spirit shown by your Government in dealing with this complex problem.

AUTRICHE / AUSTRIA

821.

Le secrétaire d'État aux Affaires extérieures au consul général d'Autriche
Secretary of State for External Affairs to Consul General of Austria

Ottawa, August 13, 1931

Sir,

Since the prorogation of Parliament I have had some opportunity of going further into the question of trade relations between Austria and Canada, in continuance of the discussions which my colleague, the Secretary of State, and myself had while in London with the Austrian Minister, Baron Franckenstein, and of the several discussions which I have had with you since my return to Ottawa.

The Canadian Government realizes the desirability of placing the trade relations between Austria and Canada on a definite basis. The pressure of affairs in this difficult year made it impossible to consider the negotiation of an agreement in detail during the session of Parliament. I have pleasure in advising you, however, that we are now prepared to discuss the drafting of an agreement which, if negotiated to the satisfaction of both Governments, could be brought before the competent Austrian authority and the Parliament of Canada at the first opportunity. In the meantime the Canadian Government would be prepared to enter into a temporary arrangement providing for the extension of the Canadian Intermediate Tariff to Austria and of most-favoured-nation terms on the part of Austria. As you are aware, the Governor-General-in-Council is empowered to extend to any country the provisions of the Canadian Intermediate Tariff, which confers substantial reductions from the General Tariff and which is the basis of all our agreements with foreign countries aside from certain special terms conferred by treaty.

I shall be glad if you will convey these proposals to the Government of Austria.

I have etc.

R. B. BENNETT

822.

Décret du Conseil
Order in Council

P.C. 88 January 14, 1935

Whereas, under the authority of Section 4 of the Customs Tariff, the Governor-in-Council is empowered, from time to time, to extend the benefit of the Intermediate Tariff, in whole or in part, to any country the produce or manufactures of which have previously been subject to the rates of the Customs duties set forth in the General Tariff;

And whereas, by an exchange of Notes of the 6/8 July, 1933, between the Austrian Minister in London and the Secretary of State for External Affairs, the Austrian Government agreed to accord most-favoured-nation treatment to Canadian goods imported into Austria in return for the grant of the Canadian Intermediate Tariff to Austrian goods imported into Canada for the period from the 10th July, 1933, until the 31st December, 1933;

And whereas the foregoing arrangement was extended by agreement between the two Governments until the 31st December, 1934;

And whereas it has been ascertained that the Federal Government of Austria is prepared to continue to accord most-favoured-nation treatment to Canadian goods imported into Austria in return for the grant of the Canadian Intermediate Tariff to Austrian goods imported into Canada, provided that this arrangement is subject to termination by either Party at any time, and that on its termination natural or manufactured products of either country would continue to enjoy, on importation into the other, the benefits of the arrangement for a period of three months from the date of notice of termination;

Now, therefore, His Excellency the Governor General in Council, on the recommendation of the Secretary of State for External Affairs, with the concurrence of the Minister of Finance, the Minister of Trade and Commerce and the Minister of National Revenue, is pleased to order and it is hereby ordered as follows:

(1) The natural or manufactured products originating in and coming from Austria shall enjoy, on their importation into Canada, the rates of the Intermediate Tariff;

(2) In order to secure the advantages aforesaid such products shall be conveyed without trans-shipment from Austria or from a port of a country enjoying the benefit of the British Preferential or Intermediate Tariff into a sea, lake or river port of Canada;

(3) This arrangement shall enter into force on January 1st, 1935, and the effect of its provisions shall continue in force until three months after either Party shall have given notice to the other of its intention to terminate it.

BELGIQUE/BELGIUM

823.

Le consul général de Belgique au sous-secrétaire d'État aux Affaires extérieures

Consul General of Belgium to Under-Secretary of State for External Affairs

Montreal, October 7, 1931

Sir,

I have the honour to inform you, by direction of the Belgian Government, that they fail to see the meaning of the recent decision of the Canadian Government to penalize with an exchange surtax, goods imported from countries the currencies of which are at an exchange rate adverse to Canada.

Such, however, as I understand them, are the provisions contained in Memorandum No. 455 of the Department of National Revenue, dated 28th September 1931.

I am instructed to formulate a protest in regard to the above provisions and to call the Federal Government's attention to the serious harm which they are to cause the Belgian trade.

The Belgian Government also desire it pointed out that they will not be able to remain indifferent to the complaints which they should receive on the subject and may be compelled, in the case the provisions above referred to remain in force, to apply to the Canadian products subsection 2 of section 4 of the Belgian Customs Law of the 8th May 1924, providing for a surtax on merchandise originating from countries with depreciated currency.

I have etc.

A. REMES

824.

Le consul général de Belgique au sous-secrétaire d'État aux Affaires extérieures

Consul General of Belgium to Under-Secretary of State for External Affairs

Montreal, October 31, 1931

Sir,

I have the honour to confirm my letter of the 7th October instant concerning the decision of the Canadian Government to levy an extra duty on merchandise imported from Belgium, as being a country the currency of which is at "an exchange rate adverse to Canada" (memorandum of the Department of National Revenue (Customs Division), No. 455).

My above letter contained a communication from the Belgian Government and I have just received a telegram from Brussels advising me that as yet no reply thereto has reached them on behalf of the Canadian Government.

The Belgian Government have requested me to renew my steps and to cable them the Canadian Government's reply.

I have etc.

A. REMES

825.

Le sous-secrétaire d'État aux Affaires extérieures au consul général de Belgique

Under-Secretary of State for External Affairs to Consul General of Belgium

Ottawa, November 2, 1931

Sir,

I have the honour to acknowledge the receipt of your communications No. 4009/CL:246 of October 7th, and No. 4306/CL:246 of October 31st, respecting the Canadian customs treatment of goods imported from countries the currencies of which are at an exchange rate adverse to Canada, and to state that the question was referred to the Department of National Revenue, Customs Division, for consideration.

I am now in receipt of a reply in which it is stated that it would appear that your Government is under the impression that the provisions contained in Memorandum No. 455 of September 28th, 1931, of the Department of National Revenue, embody a new policy in the treatment of Belgian and other foreign currencies. It is stated that, as a matter of fact, the memorandum under reference was issued merely as a reminder to Collectors of National Revenue of the provisions of Section 55 of the Customs Act which have formed part of the Canadian law for many years. The memorandum applies, of course, to all countries including Belgium, the currencies of which are at an exchange rate adverse to Canada. As the regulations in question form part of the Canadian law, the Department of National Revenue has not discretionary power to waive their enforcement pending the assembly of Parliament.

It may be pointed out that when the present situation was reversed and Belgian currency was at a discount as compared with Canadian money, the principle was followed of granting a proportionate reduction in the value on which Canadian duty was levied.

I have etc.

[O. D. SKELTON]

ANTILLES BRITANNIQUES / BRITISH WEST INDIES

826.

Le gouverneur de Trinidad au secrétaire d'État aux Affaires extérieures
Governor of Trinidad to Secretary of State for External Affairs

TELEGRAM Port of Spain, August 5, 1931

Conference held in June in Trinidad by Colonies of the Eastern group parties to 1925 Trade Agreement passed the following Resolution:

> Whereas after an exhaustive enquiry into working of Canadian West Indies etc. Trade Agreement of 1925, this Conference is of the opinion that it is in the interest of all parties to the Agreement that certain ambiguities be removed and provision made for giving better effect to the intention of the signatories to the Agreement as indicated in Report of 1925 Canadian West Indies etc. Conference.
>
> Be it resolved: That the Canadian Government be invited to convene a Conference at Ottawa in August or September of this year to consider ways and means of improving trade relations between the Dominion of Canada and the Colonies parties to the Agreement for their mutual benefit and of carrying more completely into effect the intentions of that Agreement.

It was understood from conversations with members of the Canadian Trade Mission to Argentine who called at Port of Spain in May that your Government would welcome such a Conference and should be glad to know whether facilities could be offered for it. If so would suggest end of September or first part of October as most suitable for delegates of these Colonies. If reply is in the affirmative and because of proximity of date proposed, should be grateful if invitations could be telegraphed direct from Canada to each Colony party to the Agreement. Secretary of State for the Colonies approves of my communicating with you on the subject and indicates that arrangements for his representation in the event of Conference will be notified later.

827.

Le secrétaire d'État aux Affaires extérieures au gouverneur de Trinidad
Secretary of State for External Affairs to Governor of Trinidad

TELEGRAM Ottawa, August 15, 1931

Your telegram 5th August transmitting a Resolution of the Conference held by Colonies of the Eastern group as to the desirability of holding a Conference at Ottawa this year has been received. The Canadian Government is deeply interested in any feasible measures of improving the trade relations between the parties to the Agreement of 1925. If it appears to all the parties concerned that a Conference held at this time would be likely to yield substantial results of mutual advantage the Canadian Government will have pleasure in issuing invitations. Arrangements of members of the Government are such that it would be impossible to propose a tentative date for such

a Conference at the present time, but we could be in a position to make a definite suggestion on that point by the middle of September. In the meantime consideration of the question here would be facilitated if we could be afforded some particulars of the conclusions reached by the Trinidad Conference as to the amendments of the existing Agreement which were considered advisable.

828.

Le secrétaire d'État aux Affaires extérieures au gouverneur de Trinidad
Secretary of State for External Affairs to Governor of Trinidad

TELEGRAM Ottawa, September 30, 1931

Your despatch of the 21st August, with its very comprehensive survey of situation from West Indies point of view, and your telegram of 2nd September have been received and given careful consideration by the Canadian Government. We have delayed answering pending development of international situation, as to which apprehension existed. In view of existing international and domestic position, it does not appear possible at the present time to suggest date or extend invitations to the Conference. We are however keeping the matter well in mind and shall communicate with you later.

AMÉRIQUE CENTRALE ET AMÉRIQUE DU SUD[1]
CENTRAL AND SOUTH AMERICAN COUNTRIES[1]

829.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

DESPATCH 65 Downing Street, February 10, 1933

Sir,

I have the honour to transmit for the consideration of His Majesty's Government in Canada, the accompanying copy of a despatch with enclosures from

[1] Les négociations commerciales bilatérales furent menées en même temps avec les pays suivants: Argentine, Bolivie, Brésil, Chili, Colombie, Costa Rica, Cuba, République Dominicaine, Équateur, Guatemala, Haïti, Honduras, Mexique, Nicaragua, Panama, Paraguay, Pérou, Salvador, Uruguay et Vénézuéla. Les documents se référant souvent à plus d'un pays, il a été jugé à propos de les regrouper sous un même en-tête.

[1] Bilateral trade negotiations were conducted simultaneously with Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Salvador, Uruguay and Venezuela. Since the documents often refer to two or more of these countries, it was expedient to place the selection under one heading.

His Majesty's Minister at Montevideo relating to a proposal by the Uruguayan Government for the conclusion of a commercial agreement between Uruguay and Canada.

2. It is suggested that the terms of any reply which His Majesty's Government in Canada may desire sent to the Uruguayan Government should be communicated direct to His Majesty's Minister at Montevideo in which event His Majesty's Government in the United Kingdom would be grateful if they could be furnished with a copy of such communication.

I have etc.

J. H. THOMAS

[PIÈCE JOINTE/ENCLOSURE]

Le ministre de Grande-Bretagne en Uruguay au secrétaire aux Affaires étrangères

British Minister in Uruguay to Foreign Secretary

No. 176 Montevideo, December 31, 1932

Sir,

On the two occasions recently that the proposed Parcel Post Agreement between Canada and Uruguay has formed the subject of conversation between the Under-Secretary for Foreign Affairs and myself, Señor Marques Castro has expressed the desire of his Government to conclude a commercial agreement with Canada.

2. At the present moment Uruguayan goods are placed by the Dominion for purposes of duty on the highest tariff, and it is suggested that if the intermediate tariff were applied the Uruguayan Government would be prepared to grant to Canadian goods the privileges of the most-favoured-nation clause.

3. On my last visit to the Ministry Señor Marques Castro showed me the text of a Note Verbale which he was addressing to this Legation on the subject. I told him that I was not conversant with the wishes of His Majesty's Government in Canada but that I would transmit the Note to the proper quarter.

4. I now have the honour to enclose, herein, a copy of the Uruguayan Government's Note of the 26th December, which was received by me on the 29th instant, together with a translation, and a copy of my acknowledgement of the receipt of the Note.[1] Copies of the text and of the translation have been forwarded by me to the Canadian Government Trade Commissioner in Buenos Aires, for Mr. Scott's information.

I have etc.

R. C. MICHELL

[1] Non reproduites. [1] Not printed.

830.

Le consul de Grande-Bretagne à Montevideo au secrétaire d'État aux Affaires extérieures

British Consul at Montevideo to Secretary of State for External Affairs

TELEGRAM Montevideo, September 22, 1933

With reference to Uruguayan Government's proposal dated 26th December, 1932, for a Commercial Agreement with the Dominion of Canada, Minister for Foreign Affairs of Uruguay desires me to inform you that his Government are anxious to obtain as soon as possible an expression of views of His Majesty's Government in Canada on the subject and, should latter so desire, to proceed with negotiations.

SIMPSON

831.

Le sous-secrétaire d'État aux Affaires extérieures au ministre de Grande-Bretagne en Uruguay

Under-Secretary of State for External Affairs to British Minister in Uruguay

Ottawa, December 29, 1933

Sir,

With reference to Mr. Simpson's telegram of September 22nd regarding the desire of the Uruguayan Government to open negotiations with Canada for the conclusion of a Treaty of Commerce between the Republic and Canada based on reciprocal tariff treatment, I regret that it has not been found possible to reply at an earlier date, nor does it yet appear practicable to furnish you with a reply which may be transmitted to the Uruguayan Government.

I may state, however, for your confidential information, that it does not yet appear opportune to negotiate a Trade Agreement with Uruguay or to state that we are not prepared to negotiate such an Agreement. Negotiations involving canned meats and some other products of the class or kind forming Uruguay's chief exports are under way with Australia. Any Agreement which might be made with Uruguay would practically necessitate proceeding with a somewhat similar agreement with Argentina, which has also intimated at various times a desire to negotiate. Moreover, it would scarcely appear opportune to begin negotiating on such a matter with Uruguay so soon after the meeting of the Pan American Conference in Montevideo.

I shall be glad to communicate with you further as soon as the negotiations with Australia have reached a point that will make it practicable to reply to the Uruguayan Government and in the meantime would appreciate any information on developments in Uruguay which might be of value to the Canadian Government in connection with this matter.

I have etc.

O. D. SKELTON

832.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 24 Ottawa, March 22, 1935

His Majesty's Government in Canada will be grateful if His Majesty's Government in the United Kingdom would convey to the Government of Guatemala their serious concern at the latter's action in arbitrarily imposing surcharges of one hundred percent on goods imported into Guatemala from Canada on and after the 26th January, 1935, in accordance with the provisions of Guatemalan Decree number 1629 published on that date.

The Decree in question, which is said to be directed primarily against Japan, imposes a one hundred percent surtax on imports from all countries from which imports into Guatemala in the calendar year 1934 exceeded by one hundred percent or more imports during the calendar year 1933. In a departmental order defining the scope of the Decree, Canada was listed as one of the countries affected by its provisions. It is understood that Guatemalan import figures for the year 1934 are not yet available, but Canadian trade statistics show that exports from Canada to Guatemala in that period were $170,277 compared with exports valued at $121,613 in the preceding twelve months—an increase of approximately forty percent.

In these circumstances the Canadian Government see no reasons why Canada should be included within the scope of this order and would be grateful if representations could be made as to the withdrawal of its application to Canada as from the 26th January, 1935.

In the absence of any Trade Agreement between Canada and Guatemala, Guatemalan products imported into Canada are subject to the rates of duty of the General Tariff, which on [blank date] happen to be identical with the rates in effect under the Intermediate Tariff. H.B.M. Minister to Guatemala might inform the Guatemalan authorities that Canada is ready:

(a) to enter into an Agreement with Guatemala by exchange of notes extending the benefits of the Canadian Intermediate Tariff to goods the produce of Guatemala when imported direct into Canada, on condi-

tion that Canadian goods receive unconditional most-favoured-nation treatment in tariff matters in Guatemala. Effect could be given to such an undertaking by Order in Council, without further formality; or

(b) to negotiate a treaty exchanging most-favoured-nation treatment in tariff matters. Such a treaty might be signed in respect of Canada by H.B.M. Minister in Guatemala, and could come into force after ratifications were exchanged.

If H.B.M. Minister requests it, arrangements will be made to have Canadian Government Trade Commissioner in Mexico City, whose territory includes Guatemala, furnish him with such further information on Canadian interests involved as may be useful in any negotiations that take place.

833.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 19 London, March 26, 1935

Your telegram 22nd March, No. 24. Commercial relations with Guatemala. Instructions are being sent to His Majesty's representative at Guatemala as requested in the first, second and third paragraphs of your telegram.

As regards fourth paragraph, it is gathered that while His Majesty's Government in Canada do not at present accord most favoured nation treatment to goods imported into Canada from Guatemala they would be prepared to do so in the future.

Under the provisions of article XIII ("nevertheless" clause) of United Kingdom Commercial Treaty with Guatemala of February 22nd, 1928, Guatemalan Government would be bound to accord most favoured nation treatment to Canada if His Majesty's Government in Canada took necessary action and recorded fact in note to the Guatemalan Government.

I should be grateful to learn whether the Canadian Government has considered possibility of adopting this procedure which appears to be simpler than either (a) or (b) in fourth paragraph of telegram No. 24.

Action on fourth and fifth paragraphs of your telegram will be deferred until your reply is received.

His Majesty's Government in Canada may like to know that representations are being made to the Guatemalan Government on behalf of India under "nevertheless" clause.

834.

Le consul de Grande-Bretagne à Port-au-Prince au secrétaire d'État aux Affaires extérieures

British Consul at Port au Prince to Secretary of State for External Affairs

TELEGRAM Port au Prince, April 15, 1935

In default of Commercial Treaty or modus vivendi with Hayti, Canada will be affected by 100% tariff increases now being rushed through Legislature. In order to safeguard importers of Canadian goods, particularly of flour, may I have authority to conclude immediately by exchange of notes modus vivendi similar to that between Hayti and the United Kingdom substituting Canada for Great Britain and Northern Ireland throughout and altering reference in preamble to preparatory negotiations as may be necessary. I do not anticipate any difficulty as proposed legislation is not aimed at Canada.

If text of existing modus vivendi is regarded as unsuitable, may I nevertheless be authorized to conclude (provisional?) agreement in terms suggested pending preparation of a fresh text.

I should be grateful for instructions this week, if possible.

SHEPHERD

835.

Le secrétaire d'État aux Affaires extérieures au consul de Grande-Bretagne à Port-au-Prince

Secretary of State for External Affairs to British Consul at Port au Prince

TELEGRAM Ottawa, April 18, 1935

Your unnumbered telegram of 15th April. His Majesty's Government in Canada would be grateful if you could arrange modus vivendi with Hayti exchanging most-favoured-nation treatment. Text of exchange of notes between United Kingdom and Hayti of 25th February, 1928, with modifications suggested would be satisfactory.

Canadian legislation required to implement modus vivendi could be introduced in six weeks' time when Parliamentary recess is ended.

836.

Le secrétaire d'État par intérim aux Affaires extérieures au secrétaire aux Dominions

Acting Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 32 Ottawa, April 23, 1935

Your telegram No. 19 of the 26th March, commercial relations with Guatemala. His Majesty's Government in Canada, who have had in contemplation for some time the negotiation of general agreements exchanging most-favoured-nation treatment in tariff and commercial matters with those Latin American countries in which Canadian goods are not assured of most-favoured-nation treatment, are now prepared to bring down legislation granting most-favoured-nation treatment to goods imported from Guatemala, Panama and Bolivia, which countries it is understood are obligated by the terms of their commercial agreements with His Majesty's Government in the United Kingdom to extend most-favoured-nation treatment to Canadian goods on the basis of reciprocity.

It is, further, the intention of His Majesty's Government in Canada to extend the benefits of most-favoured-nation treatment to goods the produce of Costa Rica, on the understanding that the offer of reciprocal most-favoured-nation treatment communicated under cover of your despatch C.119 of May 11, 1933, still stands. They would accordingly be grateful if their intentions in this respect could be conveyed to the Governments named.

At present Canadian goods are guaranteed most-favoured-nation treatment by Treaty provisions in Argentina, Colombia and Venezuela and by the modus vivendi arrangement of December 4, 1931, in Brazil.

With regard to the other Latin American countries generally, the Canadian Government would be prepared to consider according most-favoured-nation treatment to goods imported from those countries on condition of reciprocity, and would be glad to learn whether His Majesty's Government in the United Kingdom see any objection to requesting His Majesty's Ministers in those countries to ascertain informally whether a Canadian initiative in this sense would be favourably received by the governments to which they are accredited.

837.

Le consul de Grande-Bretagne à Port-au-Prince au secrétaire d'État par intérim aux affaires extérieures

British Consul at Port au Prince to Acting Secretary of State for External Affairs

TELEGRAM Port au Prince, May 3, 1935

Law referred to in my telegram of the 15th April was promulgated that day. I have therefore concluded modus vivendi exchanging most favoured

nation treatment by exchange of notes dated April 12th, coming into force April 15th, thus obviating application of higher duties to Canadian goods landed in the meantime. Haytian Government insisted on duration of three months only pending discussion as to whether definitive commercial treaty can be arranged. Despatch follows.

SHEPHERD

838.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 31 London, May 17, 1935

Your telegram of the 23rd April, No. 32. Commercial relations between Canada and countries of Latin America. Instructions have been sent by telegraph to His Majesty's representatives concerned to inform Governments of Guatemala, Panama and Bolivia, that His Majesty's Government in Canada intend to accord most favoured nation treatment on importation into Canada of goods manufactured or produced in those countries and assume such action on their part will automatically lead to reciprocal action being taken by those Governments in accordance with relevant treaty provisions.

Further telegram will be sent you shortly regarding other questions raised in your telegram.

839.

Le secrétaire d'État par intérim aux Affaires extérieures
au consul de Grande-Bretagne à Port-au-Prince

Acting Secretary of State for External Affairs to British Consul
at Port au Prince

TELEGRAM Ottawa, May 18, 1935

Your despatch of 7th May. Action has been taken by administrative order to accord to Haytian products, as from 15th April, the benefits of the lowest rates of duty applicable to similar foreign goods imported into Canada, but, as intimated in my telegram of 18th April, formal extension of most-favoured-nation treatment in terms will require legislative action which Government does not wish to initiate until understanding is reached with Hayti for extension of most-favoured-nation treatment beyond present three month period.

In view of fact that Parliament, whose approval of a treaty is condition precedent to ratification, is likely to adjourn within few weeks and therefore before negotiation of a definitive treaty could be concluded, we should be

grateful if you would endeavour to persuade the Haytian Government to extend the term of the present modus vivendi for further six or nine months from July 15. Despatch follows.

840.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 45 Ottawa, June 7, 1935

Your telegram No. 36 of 6th June. Commercial relations between Canada and countries of Latin America. Should be glad to learn by telegram whether Costa Rican offer of reciprocal most-favoured-nation treatment, communicated under cover of your despatch C.119. of 11th May, 1933, still stands.

841.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

DESPATCH 231 Downing Street, June 7, 1935

Sir,

With reference to your telegram No. 32 of the 23rd April, regarding commercial relations between Canada and the countries of Central and South America, I have the honour to transmit to you, for the information of His Majesty's Government in Canada, a copy of the telegrams[1] which, as stated in my telegram No. 31 of the 17th of May, have been sent to His Majesty's Representatives at Guatemala, Panama, and La Paz on the subject.

2. His Majesty's Government in the United Kingdom desire to offer the following observations with regard to the position in relation to the other foreign countries concerned:

(*a*) Costa Rica

It appears from the terms of the exchange of notes of the 1st/2nd March, 1933, between His Majesty's Minister at San José and the Costa Rican Minister for Foreign Affairs, of which a copy was enclosed in my circular despatch C No. 119 of the 11th of May, 1933, that the Costa Rican Government then assumed that most-favoured-nation treatment was being accorded to Costa Rican goods in all parts of the British Empire and on that basis undertook to continue the grant of most-

[1] Non reproduits. [1] Not printed.

favoured-nation treatment to goods imported from any part of the Empire into Costa Rica. In these circumstances, Canadian goods should in fact be receiving such treatment in Costa Rica at present and no communication to the Costa Rican Government is necessary unless His Majesty's Government in Canada have reason to believe that this is not the case. If the Canadian Government are satisfied that Canadian goods are receiving most-favoured-nation treatment in Costa Rica and if, as is gathered, action has still to be taken to provide for the grant in Canada of most-favoured-nation treatment to Costa Rican goods, it would seem undesirable to call the attention of the Costa Rican Government to the fact that such treatment has not hitherto been accorded to Costa Rican goods imported into Canada.

(*b*) Argentina, Colombia, Venezuela and Brazil

The United Kingdom Government concur in the understanding of the Canadian Government that Canadian goods are entitled to most-favoured-nation treatment in these countries in accordance with the terms of the relevant Treaty provisions. They assume that no communication to the Governments of these countries is desired by the Canadian Government.

(*c*) Hayti

Since the date of your telegram under reference the United Kingdom Government have been informed by His Majesty's Representative at Port au Prince that a *modus vivendi* providing for reciprocal most-favoured-nation treatment between Canada and Hayti was concluded by Exchange of Notes on the 12th/13th of April, to take effect on the 15th of April. In these circumstances, they assume that no action is required in relation to the Government of Hayti.

(*d*) Other Countries—viz. Chile, Cuba, Dominican Republic, Ecuador, Honduras, Mexico, Nicaragua, Paraguay, Peru, Salvador, Uruguay

So far as their records show, the United Kingdom Government agree that there are no Treaty provisions under which the Canadian Government could claim most-favoured-nation treatment for Canadian goods imported into the above countries. The Secretary of State for Foreign Affairs has intimated that he would be prepared to instruct those of His Majesty's Representatives concerned to approach the Governments of these countries informally in the sense desired by the Canadian Government but he suggests that it would be desirable to leave His Majesty's Representative in each case discretion not to make the suggested approach if it appeared to him inadvisable, in which case he would be instructed to state the reasons for his views. The Representatives would also be asked to notify to the Canadian Government direct the results of their action and any further developments.

In this connexion, it should be pointed out that, in the case of Cuba, equal treatment with the United States of America could not be ob-

tained, and that the position of countries other than the United States (as also in the case of Salvador) appears to be determined by the balance of trade in each case.

3. I should be glad to learn whether His Majesty's Government in Canada agree with the recommendations made above, in which case I will request the Secretary of State for Foreign Affairs to communicate with those of His Majesty's Representatives concerned as suggested in paragraph 2 (d).

I have etc.

J. H. THOMAS

842.

Le consul de Grande-Bretagne à Port-au-Prince au secrétaire d'État aux Affaires extérieures

British Consul at Port au Prince to Secretary of State for External Affairs

TELEGRAM Port au Prince, June 10, 1935

My telegram June 4. Modus vivendi has been extended for 9 months from July 15 by letter from Haitian Government dated June 7 and my reply dated June 10.

SHEPHERD

843.

Le chargé d'affaires de Grande-Bretagne au Guatemala au secrétaire d'État aux Affaires extérieures

British Chargé d'Affaires in Guatemala to Secretary of State for External Affairs

Guatemala, June 29, 1935

Sir,

With reference to my telegram of the 28th June I have the honour to transmit herewith a translation of the note received by me from the Minister for Foreign Affairs relative to the removal of the Dominion of Canada from the list of countries affected by Guatemalan Executive Decree No. 1629.

2. I am at a loss to explain the long delay in furnishing the Legation with a formal confirmation of what has been common knowledge among business men for about three weeks. I enquired twice by telephone of the Ministry of Foreign Affairs and was told, somewhat apathetically, that no official information had been received there. Subsequently I called on the Director of Customs and on the Under-Secretary at the Ministry of Finance, both of whom confirmed verbally the lifting of the surcharge where Canada was concerned.

The Under-Secretary promised furthermore to investigate the hitch in the transmission of information that had occurred, and finally, when I called on the 27th instant on the Minister for Foreign Affairs, the truant notification was reported to have been just received, after which it remained only to transcribe it to me.

3. As it happens, I was well advised to await a formal notification, for it now transpires that Canada's removal from the list is provisional, a point of which I had previously heard nothing. This decision is explained officially to me as being due to a desire to investigate the discrepancy in import statistics to which His Majesty's Government in Canada have drawn attention, but it may also be not wholly divorced from the expressed intention of His Majesty's Government in Canada to introduce legislation designed to accord most favoured nation treatment to Guatemalan imports into the Dominion, of which I informed the Minister for Foreign Affairs at the request of His Majesty's Government in the United Kingdom.

4. When I called on the Director of Customs, he quite spontaneously raised the question of trade statistics. He remarked that Czechoslovakia had already had occasion to make official complaint here of the misleading nature of Guatemalan statistics in the case of countries that were, from their geographical position, dependent on re-exports, and it is evident that he is becoming increasingly conscious that a remedy should be found, especially in these days when a foreign country's local standing is so closely associated with the amount of Guatemalan produce credited to it, for he informed me that he had in mind a system of Certificates of Origin in replacement of Consular Invoices. Similarly, he would like to see the form of the Customs export policy modified to show not only the port of immediate destination but also the country of ultimate consumption, where it was already known. Both these innovations would presumably be of benefit to the Dominion of Canada.

I have etc.
N. O. W. STEWARD

[PIÈCE JOINTE/ENCLOSURE]

Le ministre des Affaires étrangères du Guatemala au chargé d'affaires de Grande-Bretagne

Minister for Foreign Affairs of Guatemala to British Chargé d'Affaires

No. 7514 Guatemala, June 28, 1935

Monsieur le Chargé d'Affaires,

With reference to note No. 43 of the 10th May last from the Legation relative to the Guatemalan official figures for imports from the Dominion of Canada for the years 1933 and 1934, I have the honour to transcribe to you the

despatch that the Ministry of Finance and Public Credit has addressed to the office of the Director General of Customs, as follows:

> Guatemala, 6th June 1935.
>
> Mr. Director, Please take note that, pending the completion of enquiries and a definite decision on the point at issue, the Dominion of Canada should be excluded from the list of countries affected by Legislative (sic) Decree No. 1629. I am etc., Gonzalez Campo.

I avail myself etc.

A. SKINNER KLEE

844.

Le ministre de Grande-Bretagne au Panama au secrétaire d'État aux Affaires extérieures

British Minister in Panama to Secretary of State for External Affairs

Panama, June 29, 1935

Sir,

With reference to my despatch of the 15th May last, I have the honour to transmit to you herewith a copy and translation of a note[1] which I have today received from the Panamanian Minister for Foreign Affairs, in which His Excellency has informed me that the Government of Panama will accord, on the basis of reciprocity, most favoured nation treatment to His Majesty's Government in Canada.

I have etc.

FREDERICK ADAM

845.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 47 London, July 4, 1935

My telegram No. 31, May 17th. Commercial relations between Canada and Bolivia. Following telegram No. 39, June 29th, has been received from His Majesty's representative at La Paz. Begins. Bolivian Government will take reciprocal action if His Majesty's Government in Canada accord most-favoured-nation treatment. Further they would be grateful if His Majesty's Government in Canada would suggest way in which this arrangement could be made beneficially. Ends.

Assume His Majesty's Government in Canada will communicate direct with His Majesty's representative with regard to enquiry second sentence of his telegram.

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[1] Non reproduite. [1] Not printed.

846.

Mémorandum par le ministère des Affaires extérieures
Memorandum by the Department of External Affairs

[Ottawa,] July 17, 1935

Attached are Recommendations to Council[1] granting the most favoured nation treatment to:

(*a*) Guatemala
Panama
Bolivia

(*b*) Costa Rica

(*c*) Hayti

The first three are bound by the provisions of their commercial treaties with the United Kingdom to accord complete and unconditional most favoured nation tariff treatment to imports from any part of the British Empire that grants similar treatment to them.

Costa Rica is not bound by such a treaty but does in fact grant most favoured nation treatment to imports from all parts of the Empire nominally on a basis of reciprocity. The Costa Rican authorities appear to believe that their goods are at present receiving such treatment in Canada and so are not yet applying to Canadian goods the surcharge of 30 p.c. ad. val. leviable on imports from countries not granting Costa Rica most favoured nation treatment.

Hayti by an exchange of notes of the 12th April 1935 agreed to a modus vivendi arrangement of reciprocal most favoured nation treatment with Canada for three months from April 15th pending the negotiation of a definitive commercial agreement; by a subsequent exchange of notes the arrangement has been extended for a period of nine months from July 15th.

These recommendations have been prepared in two forms, one, basing the grant of the intermediate tariff plus such lower rates as are accorded to foreign countries on Section 4 and Section 11 of the Customs Tariff; the other deriving the power to do this from Section 11 alone.

In favour of the first form it may be observed that as the Customs Tariff in Section 4 empowers the Governor-in-Council, in terms, to grant the Intermediate Tariff to any country now under the General Tariff and also under Section II, authorizes him to make such reductions in duty on goods imported into Canada from any other country as may be deemed reasonable by way of compensation etc., it may be thought that the powers granted under the latter section are supplementary and interstitial to the powers explicitly granted under section 4.

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[1] Non reproduites. [1] Not printed.

On the other hand it appears to be the view of the competent officials of the Departments of National Revenue and Finance that the powers of Section II are intended to be interpreted in a wide sense and that under the section the Governor-in-Council may not only make specific reduction in duty that seems advisable but may also grant the intermediate tariff in terms.

847.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 57 Ottawa, July 27, 1935

Your despatch No. 231, June 7th. Would be grateful if steps could now be taken to inform the Governments of Bolivia, Guatemala and Panama that Orders-in-Council were published to-day Saturday in *Canada Gazette,* and become effective immediately, according goods the produce or manufacture respectively of Bolivia, Guatemala and Panama, on importation into Canada, the benefit of the lowest rates granted to any other foreign country.

Am not clear respecting request by Bolivian Government reported in your telegram No. 47 of July 4th that Canada "suggest way in which this arrangement could be made beneficially". Would appreciate further details.

848.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 200 Ottawa, July 27, 1935

Sir,

With reference to your telegram No. 38 of June 8th and earlier correspondence respecting the tariff treatment of Canadian goods in Costa Rica, I have the honour to inform you that an Order-in-Council was today published in the *Canada Gazette* extending to goods the produce or manufacture of Costa Rica, on importation into Canada, the benefits of the lowest rates accorded to any other foreign country.

Canadian goods, it is understood, are being accorded most-favoured-nation treatment in Costa Rica. In accordance with your suggestion, therefore, I do not think it will be necessary to communicate with the Costa Rican Government with respect to the matter. I should be grateful, however, if you

would request the Secretary of State for Foreign Affairs to inform His Majesty's Minister at San José of the situation for his use should the Government of Costa Rica raise the question at any time in future.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

849.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

DESPATCH 342 Downing Street, August 28, 1935

Sir,

I have the honour to acknowledge the receipt of your telegram No. 57 of the 27th July, and to transmit a copy of telegrams[1] which, in accordance with the wish of His Majesty's Government in Canada, have been sent to His Majesty's Representatives at Guatemala, Panama and La Paz regarding commercial relations between Canada and Guatemala, Panama and Bolivia respectively.

I have etc.

J. H. THOMAS

850.

Le haut commissaire de Grande-Bretagne au sous-secrétaire d'État aux Affaires extérieures

British High Commissioner to Under-Secretary of State for External Affairs

Ottawa, September 13, 1935

My dear Dr. Skelton,

You will remember that in paragraphs 2(d) and 3 of their despatch No. 231 of the 7th June, my Government enquired whether His Majesty's Government in Canada desired the Secretary of State for Foreign Affairs to instruct His Majesty's Representatives in Chile, Cuba, the Dominican Republic, Ecuador, Honduras, Mexico, Nicaragua, Paraguay, Peru, Salvador and Uruguay to approach the Governments of those countries informally with a view to their granting most favoured nation treatment to Canadian goods on a basis of reciprocity. It is also understood from His Majesty's

[1] Non reproduits. [1] Not printed.

Minister at Port au Prince that the Canadian Government are considering the question of the renewal in a more permanent form of the present commercial modus vivendi between Canada and Hayti.

My Government have instructed me to enquire whether the Canadian Government would agree that, in the event of negotiations being undertaken between His Majesty's Government in Canada and the Governments of any of the above-mentioned countries, His Majesty's Representatives concerned should be instructed to arrange for the inclusion in each of the agreements or modus vivendi of a clause to safeguard Empire preferences, on the lines of clause 17 of the Canada-Poland commercial agreement.

Yours sincerely,

F. L. C. FLOUD

851.

Le chargé d'affaires de Grande-Bretagne au Guatemala au secrétaire d'État aux Affaires extérieures

British Chargé d'Affaires in Guatemala to Secretary of State for External Affairs

Guatemala, September 19, 1935

Sir,

With further reference to my despatch of the 29th June I have the honour to report that at the request of His Majesty's Government in the United Kingdom I duly informed the Guatemalan Minister for Foreign Affairs of the Order in Council published in the *Canadian Gazette* of the 27th July last relating to the import of Guatemalan goods into the Dominion. I transmit herewith copy of my note No. 62 of the 12th August and of the reply (in translation) of the 26th of that month.[1] As the phrase "the same treatment as that extended up to the present" seemed to me to be unwarrantably vague, I requested a further elucidation of it, and copy of the further reply (in translation) of the 9th September is also transmitted.[1]

2. It will be observed that no further reference is made to the statistical issue, which, as I stated in paragraph 3 of my despatch of the 29th June last, was the reason given officially for the provisional character of Canada's exclusion from the operation of Executive Decree No. 1629.

3. On the other hand, the allusion to the period of validity of the Treaty of Commerce and Navigation between Great Britain and Guatemala has reference to the denunciation by the Guatemalan Government on the 30th

[1] Non reproduites. [1] Not printed.

August of that Treaty of Commerce, which will accordingly cease to have effect, as regards both Great Britain and "the British countries that have been favoured by it" (I quote from the official notification received), on the 30th August 1936.

4. The position is, therefore, that the Dominion of Canada will enjoy most-favoured-nation treatment, where its imports into Guatemala are concerned, henceforward until the 30th August of next year, when of course the advantage secured under Article 13 of the Treaty of Commerce with Great Britain will automatically lapse.

5. It is perhaps worth observing that, although Japanese goods are described in the Guatemalan note of the 9th September as being liable still to the 100% surcharge, actually by an agreement of the 17th July last between the Minister of Finance and the Japanese Minister that surcharge was to be waived subject to certain conditions, which, however, may not be fulfilled.

6. A copy of this despatch and its enclosures is being sent to the Canadian Government Trade Commissioner at Mexico City.

I have etc.

N. O. W. STEWART

CHINE/CHINA

852.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon[1]
Secretary of State for External Affairs to Minister in Japan[1]

TELEGRAM Ottawa, January 21, 1931

SECRET. Your telegrams 15th January received. I note you are of the opinion that sales [of wheat][2] to Chinese Government are not possible or desirable, but that you consider there is possibility of making sales to private parties. You will of course understand that the Canadian Government was not proposing to make sales but merely to facilitate sales by Canadian agencies. If the private interests to which you refer will make definite proposals, we shall be glad to put them in touch with producers here with whom if necessary we will collaborate in effecting any arrangement which appears desirable.

[1] Adressé à H. M. Marler aux bons soins du délégué commercial à Changhaï à l'occasion de son voyage en Chine.

[2] Pour les origines de cette tentative de vendre du blé à la Chine, voir Volume 4, documents 780-783.

[1] Addressed to H. M. Marler in care of the Trade Commissioner in Shanghai during the Minister's visit to China.

[2] For the origins of this attempt to sell wheat to China, see Volume 4, Documents 780-783.

853.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

TELEGRAM Shanghai, January 22, 1931

SECRET. Referring to your telegram 21st instant, definite proposal for any large quantity depends upon extent to which credit will be granted. Please telegraph us what credit if any will be given.

MARLER

854.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

TELEGRAM Ottawa, January 22, 1931

SECRET. Your telegram January 22nd. Canadian Government would have been prepared to suggest credit arrangement if Chinese Government had been prepared to make purchase. We are not prepared to propose credits to private individuals but will be glad to consider and discuss with producers any proposals which they may make as to quantities and terms.

855.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

TELEGRAM Shanghai, January 27, 1931

SECRET. Advised Canadian prices Shanghai today $22.80 ton against $19.15 Australian. This difference appears to me to be too great to allow trading at the present time. If the question of credits as indicated as per our telegram of the 23rd instant could be now decided then basis of trading could be now determined and advantage later taken of present negotiations when prices of Canadian and Australian are more nearly equal. Unless you desire otherwise we propose to return to Japan January 30. Will keep in touch with (situation?) and return to China when you direct.

MARLER

856.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

TELEGRAM Ottawa, January 28, 1931

IMMEDIATE. Your telegrams January 27th and 28th. I agree that under circumstances it would be advisable to return to Japan immediately. Producers are informed of situation. I shall advise you in Tokyo of any further developments and should be glad to be kept informed of any changes in situation in Orient.

FRANCE

857.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 84 Ottawa, December 15, 1931

IMMEDIATE. CONFIDENTIAL. You are instructed to communicate to the French Government the following note on Wednesday December sixteenth. Begins. I am instructed to inform you that His Majesty's Government in Canada have decided to terminate the Convention of Commerce between France and Canada signed on the 15th December, 1922, and under Article 27 of the Convention hereby give notice of its termination in six months from this sixteenth day of December. As you are aware His Majesty's Government in Canada have repeatedly indicated their desire to conclude with the Government of France a new Convention beneficial to the commerce of both countries. I am therefore instructed to add that His Majesty's Government in Canada are prepared to enter upon negotiations for this purpose without delay. Ends. Report hour of delivery.

858.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 28 Ottawa, May 19, 1932

Your telegram No. 26 of April 30th and Despatch relative to French Note respecting Convention of Commerce. It is noted that the French Government, after giving full consideration to the proposal in your note of December 16th, 1931, for the negotiation of a new Convention of Commerce between Canada

and France, do not consider it feasible to negotiate a definitive Agreement in view of the near approach of the Imperial Economic Conference. It is further noted that the French Government, desirous of avoiding any interruption in the commercial relations between Canada and France, are ready to consider any suggestions which may be made by the Canadian Government to avoid the application, reciprocally, of General Tariff rates after June 16th, next. The Canadian Government share their desire, and would be prepared, as a temporary arrangement extending to December 31st, 1932, to accord to France the most favourable rates granted to any foreign country, which of course excludes the British Empire, in return for most favoured nation treatment for Canadian products under the French tariff. Under this arrangement Canada would accord to French goods the rates of the Intermediate Tariff which after June 16th, next, will be the most favourable terms accorded to any foreign country.

Please convey this information to the French Government in reply to its Note of April 29th. For your information I may add that if any action is to be taken, it is desirable that an early reply be made to our proposal.

859.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 30 Ottawa, June 4, 1932

Your telegram No. 34 of May 28th, regarding commercial relations between Canada and France. It is noted that the French Government is not prepared to exchange most-favoured-nation terms as a provisional arrangement on the ground that it would give Canada greater advantages than those derived from the Convention of 1922 while the grant of the Canadian Intermediate Tariff would practically cancel benefits therein extended to France.

2. The Canadian Government cannot agree with the latter statement, as the rates of the Intermediate Tariff constitute a very substantial reduction below the General Tariff rates. In any case the reply merely emphasizes the one sidedness of the existing arrangement and puts forward no reason why an exchange of each country's most-favoured-nation terms should not be regarded as an equitable and adequate solution. On the expiration of the present agreement the Canadian Intermediate Tariff will be the lowest accorded to any foreign country.

3. As regards the balance of trade, the official statistics of the two countries are somewhat at variance, and in drawing conclusions from figures of trade balance it would be necessary to consider final destination and not merely importation. The Canadian Government fully appreciates the friendly attitude of the French authorities and the other circumstances surrounding recent substantial increases in the importation of Canadian wheat into France. In considering the balance of trade, attention must, however, be given to another con-

sideration to which the Canadian Government previously directed attention but which has apparently not been fully realized, namely, that it is essential to take into account the effect of the present Convention in swelling importations into Canada from over a score of other countries to which the reduced terms accorded France were extended by virtue of most-favoured-nation agreements, a number of these being substantial competitors with France. This situation has been a vital factor in the conclusions reached by the Canadian Government as regards the existing Convention. As a consequence of the agreement according the Intermediate Tariff to Brazil, these countries will, it may be added, be entitled to Intermediate rather than General Tariff rates after June 16th.

4. While considering that the proposal set forth in the Canadian Minister's note of May 20th is an equitable and reasonable solution, the Canadian Government, in a spirit of conciliation, would be prepared to modify that proposal in an effort to meet the views of the French Government and to accord, till December 31st, 1932, the complete Canadian Intermediate Tariff on French goods, in return for the tariff concessions set forth in Schedule A of the present Convention and in the following Items of Schedule B . . .

5. If satisfactory provisional arrangement is concluded, the Canadian Government would be further prepared to confer with the French Government before the end of the year for the negotiation of a new Convention of Commerce.

6. You will please advise the Government of France immediately of the views of the Canadian Government as set forth above. For your own guidance I may add that in your discussions you may make it clear that the Canadian Government has reluctantly but definitely concluded that it cannot agree to an extension of the present Convention, particularly in view of its bearing on our imports from the twenty other countries to which reference is made above.

860.

Le ministre en France au secrétaire d'État aux Affaires extérieures
Minister in France to Secretary of State for External Affairs

TELEGRAM 54 Paris, July 13, 1932

With reference to negotiations on Franco-Canadian commercial relations, following note, dated 8th July, was handed to me by French Foreign Affairs on the 11th July at 5:00 p.m. [Begins.] By letter of the 20th June you informed me that the Canadian Government while regretting that a temporary arrangement could not be concluded with France was disposed to open negotiations with a view to concluding a definite Commercial Convention. I have the honour to inform you that the French Goverment is ready to open commercial negotiations with the Canadian Government as soon as the latter will request such negotiations. Consequently if Canada is disposed to carry on simultaneous parleys with Great Britain and the other Dominions in

Ottawa and with France in Paris the French Government will welcome the Canadian delegate. However, in this case, French negotiators should take into account the decisions reached during the Ottawa Conference in the degree that such decisions would susceptibly affect Franco-Canadian commercial relations. The French Government realize that the present circumstances render perhaps difficult the simultaneous opening of parleys in Paris and in Ottawa but it wishes to note that this situation is entirely independent of its will and that it can only but regret again that the Canadian Government should have denounced the Convention of 1922 at a date such as its expiration should coincide approximately with the opening of the Ottawa Conference. Owing to these circumstances, already foreseen in December last, the French Government showed a marked preference for a temporary renewal of the Convention of 1922. That is also the reason why, after mature examination, France proposed on the 11th June to give up a large part of the advantages granted to French products by the Convention in concluding to this effect a temporary arrangement that would have been replaced in the near future by a new Convention. Negotiations for such a Convention would have opened when the result of decisions of Conference regarding Franco-Canadian relations would have been known. In accepting this offer Canada would have in no way engaged its freedom of action at Conference as clauses of temporary arrangement would have been essentially precarious and bound to be replaced shortly by stipulations adapted to present and future circumstances resulting from the Conference.

Furthermore, the French Government would not only accept to negotiate immediately a definite Convention but would also be disposed from this moment, pending conclusion of a definite Convention, to put into force immediately a temporary arrangement based on my note of the 11th June. [Ends.]

861.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 51 Ottawa, August 29, 1932

CONFIDENTIAL. With reference to your telegram No. 54 of 13th July and previous communications regarding negotiation of a new Commercial Treaty with France, Honourable C. H. Cahan, Secretary of State, will head Canadian delegation to League of Nations and will call at Paris to discuss the possibility of the completion of a treaty with the Republic. He may not be able to call until on his way back to Canada. We shall advise you later of date of sailing.

BENNETT

862.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 64 Ottawa, October 19, 1932

IMMEDIATE. Following for Mr. Cahan. Begins. Your letter respecting tariff negotiations with France received and trust you will be able to arrange for a preliminary exchange of views with representatives of the French Government in Paris, where, I understand, you arrived yesterday from Geneva.

We consider it would be desirable, before committing ourselves to any definite statement of our position by the presentation of an aide-mémoire or otherwise, to ascertain general views of the French Government on the subject of the negotiation of a new Convention of Commerce. You might, in particular, ascertain their views with respect to the exchange of most-favoured-nation treatment in tariff matters on a reciprocal basis, making clear that most-favoured-nation treatment would not entitle France to the tariff benefits accorded to Members of the British Commonwealth of Nations. It is quite probable that the French Government will not be prepared to negotiate on this basis, but in view of the fact that negotiations with the United States are now in progress and that the United States has definitely requested most-favoured-nation terms, it would not seem possible for us to recede from this position at least until it is definitely ascertained that the United States will not secure this concession.

If at a later stage in the negotiations it is found necessary to confine the Agreement on each side to a restricted list of commodities, I may state for your information that it is desired to secure the French Minimum Tariff on the following commodities among others. . . .

It is possible that the French Government may desire to give you, for consideration by the Canadian Government, a list of the commodities on which they are most desirous of securing concessions under the Canadian Tariff in return for those asked by Canada. They have, of course, already indicated, in the proposed Supplementary Convention, copy of which you have with you, a number of commodities which they desired to have added to Schedule D of the Convention of 1922 thus securing both fixed and reduced rates. By reference to Article 9 and Schedule E of the Canada-United Kingdom Trade Agreement you will note that it will now be somewhat more difficult to accord them valuable concessions on the following commodities then mentioned: glue, tableware, hot rolled steel billets, etc., iron or steel plates, beams, angles, sheets, etc., yarns, woven fabrics and carpets. You will note, also, that similar conditions would now apply to perfumery and knitted goods in Schedule D itself.

Such matters as import taxes, quotas, certificates of origin, trademarks, names of origin, etc., may of course be settled later.

You might also take advantage of your discussions with the French Government to refer to the French depreciated currency surtax of November 12th, 1931, and to point out that, whereas goods originating in certain countries, the currencies of which are depreciated from 25% to 50%, are subject to a depreciated currency surtax of 15% ad valorem, Canadian goods are subject to a depreciated currency surtax of 11% ad valorem though for some time past the Canadian dollar has been at a discount of less than 11% and is to-day at a discount of approximately 8% only. We feel that in these circumstances the depreciated currency surtax on Canadian goods should now be abolished or if this cannot be effected, be decreased accordingly. Confidentially may I suggest that you proceed with great caution having regard to present negotiations between United States and France. If they fail it should be our opportunity. Ends.

863.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 74 Ottawa, November 17, 1932

IMMEDIATE. My telegram No. 70, November 8th. Following for Mr. Cahan from the Prime Minister. Begins. The questions raised by the French Government involve, as you know, important matters of government policy, and it is clear that a further detailed survey of the situation will be necessary before definite commitments can be made and a treaty dealing with them and other relevant commercial matters signed. The decision of the French Government, as announced in the press, to postpone further negotiations with the United States till after the new Administration takes office in Washington, is, if correct, a further reason for not proceeding at once to the conclusion of a Convention of Commerce with France. Accordingly, I am indicating, so far as seems practicable at present, our position on the various matters raised in your telegram under reference and would be grateful if you would discuss them with the French Government, indicating your desire to secure any more detailed information which they think the Canadian Government should have before it when framing a treaty policy with respect to them.

1. The provisions of Articles 16 and 17 of Canada-United Kingdom Trade Agreement were drawn up more particularly for application within the British Commonwealth of Nations and I do not think they would be properly applicable to imports from foreign countries. They would, of course, have to be made reciprocal if extended to foreign countries. Would the French

Government be in favour of including them, or similar commitments, in a Franco-Canadian Convention on a basis of reciprocity?

2. As you are aware, there would be considerable difficulty in restricting by law the use of trade or regional names, such as champagne, to French wines, both on account of our domestic wine situation and our trade relations and treaty commitments with South Africa and Australia. We should be glad if you would ascertain exactly what concessions the French Government are desirous of securing. What is the complete list of French wines and liqueurs bearing recognized trade or regional names for which Canadian protection is desired? Is it desired that these names be protected against use by domestic producers or when imported from other countries, or both? Do the French Government object to the use of such terms as, say, "burgundy" even though the label on the container should bear some qualifying phrase such as "produced in Canada" or "wine of burgundy type produced in Canada"?

3. The Canadian Government would be prepared to discuss according reduced rates on French cognac and armagnac brandies and champagne though it is not clear what advantage would be obtained by excluding these products from tariff items 156 and 165, respectively. Could you secure further information as to what the French Government has in mind in desiring separate tariff items for these commodities.

4. Article 9 of the Canada-United Kingdom Trade Agreement would not prevent the Canadian Government from making tariff reductions similar to those granted previously in respect of tariff items 163 and 165 though Article 4 of the Canada-South African Trade Agreement would somewhat restrict our freedom of action in this respect.

5. We feel that the French Government would not be justified in objecting to the inclusion of tariff item 165 in Schedule A to South African Trade Agreement. The use of the word champagne is, of course, a matter for discussion under paragraph two.

6. In principle the Canadian Government sees no reason why, without fixing definite tariff rates, discounts from the Intermediate Tariff rate in return for adequate concessions under the French tariff should not form part of the negotiations.

7. With respect to the general question of an exchange of tariff concessions between Canada and France and in view of the definite refusal of the French Government to consider the exchange of most-favoured-nation treatment on the generality of goods and the further decision of the French Government not to negotiate any new Trade Treaties containing a general most-favoured-nation clause, the Canadian Government would be prepared to resume negotiations on the basis of the exchange of tariff concessions on a limited list of commodities on either side. Please ascertain definitely whether the statement of the French Government as set forth in your telegram No. 86 of November 3rd, that they have decided not to negotiate any new trade treaties

containing the most-favoured-nation clause would preclude them from negotiating with Canada on the basis of reduced rates on a limited list of commodities and the guarantee of most-favoured-nation treatment, not on the generality of goods, but only on the goods included in such a list.

864.

Le ministre en France au secrétaire d'État aux Affaires extérieures
Minister in France to Secretary of State for External Affairs

TELEGRAM 91 Paris, November 21, 1932

Following for Prime Minister from Mr. Cahan. Begins. A. In view of your telegram No. 70 of the 8th November, I suggested to Durand, Minister of Commerce, that we should exchange tentative statements of tariff concessions mutually desirable. In view of your telegram No. 74 of the 17th November, I will now advise him that further definite discussions are not now convenient and I will conjure up some personal excuse for leaving France rather abruptly.

B. The negotiation of a new Trade Convention with France seems to me to be rather simple matter and unexpectedly free from complications. Probably my cablegrams have been wanting in terseness and clearness and thus have caused misunderstanding. There is no doubt in my mind that Mr. Herriot has told the Minister that new Trade Agreement to be concluded on reasonable terms.

The French position is quite clear:

1. They would be satisfied with certain existing Intermediate rates, such as our tariff items 396A, 506, 564, 568, 568B, 569, 624A, 695 and others.

2. They desire certain percentage reductions, which were provided in last Convention, to be reinstated in respect of our tariff items 17, 72 to 79 not now free, 114, 120, 141, 197, 220, 228, 238A, 262, 326, 339, 352, 362, 462, 623, 634, 656, 657A, and possibly some others.

3. They would also like to obtain better than our Intermediate rates on items 8, 560A, B and D, 561A, 562, 565, 567, covering silk goods, and on less important items of like nature not included in Ottawa Agreements.

4. In respect of French wines and cognac and armagnac brandies, they enjoyed certain advantages under last Convention and would now appreciate any tariff concessions which are not precluded by Ottawa Agreements.

5. They desire better protection for their trade marks and trade names. I have directed their attention to Unfair Competition Act of last Session which might be made more effective for their purposes, also that the Canadian Government might exercise powers conferred under Section 16 of our Customs Tariff. They think that Canada has never fully complied with Article XXI of the last Convention.

Your telegram No. 74, two provisions cited in paragraph 1 would be reciprocal and include removal of depreciated currency surtax now levied against Canada. Your paragraph 6 would be an acceptable basis for negotiation. Your paragraph 7, all French officials have based their discussions upon an exchange of tariff concessions respecting limited list of commodities on each side, with collateral guarantees of most favoured nation treatment respecting commodities so specified in each such limited list.

PERSONAL. Unless something specially important transpires at my final interviews with French Minister early this week, I shall, in the absence of further instructions, make arrangements for return to Canada via French port without visiting England.

865.

Le secrétaire d'État aux Affaires extérieures au ministre en France
Secretary of State for External Affairs to Minister in France

TELEGRAM 81 Ottawa, November 30, 1932

IMMEDIATE. Your telegram number 91 and my telegram number 76 of November 21st. Tariff relations with France. Following for Mr. Cahan from the Prime Minister. Begins. We regret that a misunderstanding appears to have arisen as to the practicability of an immediate conclusion of our negotiations with France. Though your telegrams have been as clear and precise as the circumstances made possible, we feel that it would not be wise to conclude too hastily the negotiations which you have been conducting so successfully. Almost every tariff concession which you have indicated that the French Government desires to secure, raises a problem which must be carefully enquired into in order to make sure that the grant of such a concession would not involve serious hardship to our domestic producers. It has also been necessary to make a close study of the items of the French Tariff under which an extension of Canadian exports would be possible and in many instances to secure the views of the producers concerned. Moreover, when you left for Geneva it was contemplated that the Articles of a draft Convention could be ready for despatch to our Legation in Paris to be available on your return from the League Assembly, but, due to the complexity of the subject and to the pressure of other work, this has not been found possible. The Government feel, however, that the time has now come for Canada to extend her commercial treaties to cover not only tariff rates but also all the relations of a commercial character which normally arise between countries, particularly since other parts of the Commonwealth, notably the Irish Free State and the Union of South Africa, have negotiated, or are negotiating, comprehensive commercial treaties with France and with other countries. These factors, and the attitude of the French Government

in postponing the conclusion of a commercial treaty with the United States, indicate the desirability of proceeding very carefully.

2. We greatly appreciate the progress which you have made in your discussions with the French Government and the detailed information you have supplied with respect to the concessions which France is desirous of securing as well as the basis on which a commercial treaty may be negotiated. We note that the French officials have based their discussions upon an exchange of tariff concessions on a limited list of commodities on each side with collateral guarantees of most-favoured-nation treatment on the commodities so specified. In reply to their request, as set forth in your telegram under reference, the Canadian Government will be prepared, in return for the concessions outlined in paragraph 6, to grant most-favoured-nation treatment on the tariff items set forth in paragraphs 1, 2, and 3 of your telegram under reference, and in addition the tariff concessions indicated on these items, subject to the following reservations. . .

4. With respect to paragraph 4 of your telegram under reference, the Canadian Government is prepared to grant to French wines and brandies tariff treatment substantially more favourable than that accorded to countries subject to the Canadian General Tariff. It is precluded, however, by Article 4 of the Trade Agreement between Canada and South Africa, from reducing the margin of preference granted to South African wines and brandies, under Tariff Items ex 156, 162, 164 and 165.

5. With respect to paragraph 5 of your telegram under reference, an endeavour is being made to draft an Article which might be incorporated in the definitive Convention but it is not yet practicable to indicate how far it will be possible to go in meeting French views on this matter. We recognize that Article 21 of the Convention of 1922 did not afford the full protection which the French Government appears to have in mind, though we feel that Canada has fully complied with the commitments entered into under that Article as set forth in the previous Convention.

6. In further discussing the proposed Convention with the French Government you might indicate that, in return for the concessions indicated above, the Canadian Government would expect to receive the French Minimum Tariff on items of interest to Canadian trade. . .

7. We would be grateful if you could secure the views of the French Government as to its willingness to accord Canada the tariff concessions indicated on these items. It would be appreciated also if you would take up with the French Government our view that the proposed Convention should embrace, in addition to tariff concessions, the subjects usually included in a complete Convention of Commerce. If the French Government are prepared to conclude the Convention on this basis, the Canadian Government would be prepared to resume the negotiations in the course of the next month or two when the Articles of a complete draft Convention of Commerce would be available for discussion with them.

866.

Le sous-secrétaire d'État aux Affaires extérieures au ministre de France
Under-Secretary of State for External Affairs to Minister of France

PERSONAL Ottawa, January 11, 1933

My dear Minister,

In our recent conversation respecting the conclusion of a Treaty of Commerce and Navigation between Canada and France, we referred, I think, to the interviews which the Honourable C. H. Cahan, Secretary of State of Canada, has had in Paris, both before and after the recent Assembly of the League, with M. Herriot and M. Durand, as well as with M. Coulondre, Director in Charge of the negotiation of Commercial Treaties at the Ministry of Foreign Affairs, and with other officials, and I promised to let you have a short summary of the information we have received respecting the course of the negotiations.

The earlier interviews were taken up with the general principles on which it would be best to proceed. It was evident that both Governments were in favour of initiating negotiations at once with a view to the early resumption of treaty relations and to the increase of trade between the two countries. Mr. Cahan intimated that Canada would prefer to negotiate not a narrow trade agreement but rather a comprehensive treaty of Commerce and Navigation which would cover all the questions which are normally dealt with in such treaties between commercial nations and your Government indicated that they were in cordial agreement with the Canadian Government as to the desirability of concluding a new Convention of Commerce along these lines.

Your Government pointed out that their policy was not to conclude general most-favoured-nation treaties with any country but that they would prefer to negotiate on the basis of according tariff concessions on a limited list of Canadian products in return for approximately equivalent concessions on the principal French products exported to Canada. It is understood that the French concessions would take the form of the grant of the Minimum tariff on a list of important Canadian exports in return for the Intermediate tariff on a list of important French products and that, on the goods mentioned, there would be reciprocal most-favoured-nation treatment . . .

A further circumstance which tended to retard, to some extent, the progress of the negotiations was the change of Government in France in December. Negotiations are, however, now proceeding under the new administration and it is hoped that considerable progress can be made before Mr. Cahan returns for the session of Parliament here.

I should add that Mr. Cahan also discussed, in connection with the treaty negotiations, the question of the French depreciated currency surtax which he claimed is somewhat unfair to Canada in that Canadian currency is subjected to a surtax equally as severe as that applicable to other foreign currencies

which are depreciated to a much greater extent than Canadian currency. Your Government intimated that they would agree to remove the surtax on imports from Canada from the date on which the new commercial treaty comes into force.

If there is any further information on the matter which you might desire, I should be glad to be of service.

Yours sincerely,

O. D. SKELTON

867.

Le chargé d'affaires de France au secrétaire d'État par intérim aux Affaires extérieures

Chargé d'Affaires of France to Acting Secretary of State for External Affairs

No. 22 Ottawa, le 3 juin 1933

TRÈS URGENT

Monsieur le Secrétaire d'État,

J'ai l'honneur d'accuser réception à Votre Excellence de la lettre du 31 du mois dernier, nº 14, par laquelle le Très Honorable R. B. Bennett a bien voulu me faire connnaître qu'il était tout disposé à voir mettre en vigueur, à dater du 5 de ce mois, les clauses tarifaires de l'Arrangement Commercial signé le 12 mai dernier entre le Canada et la France, c'est à dire les articles 1, 2, 3 et 4 ainsi que les listes A et B pour la France, et les listes C et D pour le Canada.

En même temps, le Premier Ministre m'a confirmé ce qu'il avait bien voulu me dire déjà dans Sa lettre du 27 mai dernier, nº 11, à savoir que le Canada serait en mesure de procéder à l'échange des Ratifications vers le 10 du présent mois.

Suivant les vues du Gouvernement canadien l'échange des Ratifications, marquant la mise en vigueur pleine et entière de la Convention d'Établissement et de l'Arrangement Commercial, devrait marquer également l'ouverture du délai de validité d'une année fixé audit Arrangement. La mise en vigueur des seuls articles 1, 2, 3, 4 et des listes A, B, C, D ne saurait ouvrir ce délai.

Je n'ai pas manqué de communiquer télégraphiquement ces indications à mon Gouvernement, qui apprécie hautement les obligeants efforts accomplis par le Gouvernement canadien dans le sens d'une prompte application de nos accords.

Mais, étant donné le temps assez long que nécessite, en France, l'approbation législative des accords commerciaux, mon Gouvernement regrette de ne pouvoir être en mesure de procéder pour le moment à l'échange des Ratifications.

Prenant toutefois la meilleure note des intentions du Gouvernement canadien, mon Gouvernement renonce au projet de mise en vigueur partielle tel qu'il a fait l'objet de nos récentes communications, et il me charge maintenant de proposer à Votre Excellence une mise en vigueur totale à la date du 10 de ce mois—date à laquelle le délai de validité commencera à courir. Il me signale qu'il a toujours eu sans inconvénient recours à cette procédure de mise en vigueur provisoire; notre Législation nous permet de le faire sans attendre l'approbation du Parlement. C'est pourquoi nous avons toujours envisagé une mise en vigueur rapide dès le 1er de ce mois et, en tout état de cause, il nous est impossible d'attendre l'accomplissement de la formalité de l'échange des Ratifications, qui ne pourrait intervenir avant la session des Chambres françaises en Novembre.

Quant au départ du délai de validité d'un an, mon Gouvernement estime qu'aux termes des articles 16 et 17, il est bien prévu pour la date de la mise en vigueur totale.

Le Gouvernement de la République espère vivement que ses intentions vont rencontrer le plein assentiment du Gouvernement du Dominion, et je prie Votre Excellence de bien vouloir me fixer aussi tôt que possible afin que je puisse faire prendre à temps toutes dispositions utiles, en France, pour l'entrée en application de nos accords, le samedi, 10 juin prochain.

Je m'empresse de répondre à Votre Excellence au sujet des rectifications de textes, qui ont fait l'objet de ma lettre du 27 mai dernier, nº 19, ainsi que de celle du Premier Ministre du 31 du même mois, nº 15.

Pas plus du côté français que de côté canadien ces rectifications de détail ne soulèvent de difficultés, y compris le rétablissement à la liste A du numéro 217.

Il y a lieu toutefois, d'ajouter la rectification d'une petite faute d'imprimerie: Liste B, ex 644 bis, en regard de «goupillons. . .» le pourcentage accordé doit être *62.5%* et non pas 62.36%.

Veuillez agréer etc.

JEAN DE LA GRÈZE

868.

Le secrétaire d'État par intérim aux Affaires extérieures au chargé d'affaires de France

Acting Secretary of State for External Affairs to Chargé d'Affaires of France

No. 18 Ottawa, June 6, 1933

Sir,

I have the honour to acknowledge receipt of your communication No. 22 of June 3rd respecting the Trade Agreement between Canada and France signed on May 12th, 1933. I note that your Government, while not in a

position to effect the exchange of ratifications before the session of the French Chambers in November next, is prepared to bring the whole Agreement into force as from June 10th. The Canadian Government concurs in this arrangement and I have the honour to inform you that an Order-in-Council has been passed today bringing the Agreement into force on the part of Canada on June 10th. It is understood that in accordance with the provisions of Article 17, the period of one year for which the Agreement was concluded will begin to run from that date.

As there is less urgency with respect to the Convention concerning the Rights of Nationals and Commercial and Shipping matters, the Canadian Government would propose that it should not be brought into force until the exchange of ratifications contemplated in Article 21 thereof shall have been effected.

I shall write you separately with respect to the minor change in the text of the Trade Agreement.

Accept etc,

G. H. PERLEY

ALLEMAGNE/GERMANY

869.

Le Premier ministre au sous-secrétaire d'État aux Affaires extérieures
Prime Minister to Under-Secretary of State for External Affairs

TELEGRAM Ottawa, March 29, 1933

Canadian Jews greatly concerned over conditions in Germany. Please make closest possible enquiries and advise.

BENNETT

870.

Le sous-secrétaire d'État aux Affaires extérieures au Premier ministre
Under-Secretary of State for External Affairs to Prime Minister

TELEGRAM London, March 31, 1933

IMMEDIATE. SECRET. Your telegram of the 29th March regarding conditions in Germany. Have discussed with the Foreign Office and read their reports from Berlin.

2. There is no doubt of serious situation. Nazi forces are drunk with success and seek victims for suppressed emotions, some of their leaders neurotic and irresponsible, others slowly gaining responsibility but unable to restrain forces they have aroused. There is a belief in some quarters that some German circles would welcome foreign attacks as affording grounds

for repudiating onerous private obligations to foreign creditors. Zero hour for boycotting of all Jewish business men, doctors, lawyers and professors set for 10 o'clock on Saturday, but in many communities already under way. Orders issued by Nazi Central Committee against resort to violence against persons or smashing of property, but doubful whether will be completely obeyed, particularly if police neutral. Boycott not carried on officially by Government but by Nazi organisations, a distinction as convenient as that between the Soviet authorities and Third International.

3. In the United Kingdom Jewish circles excitement intense, but leaders torn between desire to exercise pressure and fear of affording excuse for further reprisals. Messages are being received from leading German Jews to abstain from any action here, perhaps some sent under pressure but others genuine. No organised or extensive boycott of German goods here.

4. In general public and Parliament amazement and disgust evident. Government so far has taken position that it can intervene only to protect British citizens. Thus far no serious incidents have arisen affecting them. They are not prepared, at least at present stage, to intervene on behalf of Jews of German nationality. Experience of three years ago when protests against Soviet persecution of Christians proved futile and perhaps harmful does not encourage intervention in the present case.

5. In Lords yesterday Cecil, Reading and the Archbishop of Canterbury raised question whether Government expressing concern of British people over situation. Hailsham replied that Government would press for justice being done if any British citizens of Jewish descent were arrested or ill treated, but did not think that they had any right to make representations to the German Government in regard to treatment of its own citizens. There had been conversations through the British Ambassador in Berlin and with the German Ambassador here and in both cases replies were of reassuring nature. He did not think that it would be in the interests of the Jews themselves that any suggestion should be made that British Government conceived that they had authority to intervene on behalf of German citizens. Such interference might do more harm than good. Speeches made in debate would be most effective way of representing views widely held by the people of this country. In Commons, Simon, in reply to question, said that matter could not be brought before the League of Nations but that he would communicate with Ambassador in Berlin as to Lansbury's suggestion that he be asked to give report as to charges of persecution.

6. Shall keep in touch with the Foreign Office and report further developments.

7. Russian situation acute. Wilson tells me that negotiations for new trade agreement were going on very promisingly until the arrest of British engineers. Agreed here most unlikely that any basis for charges and that arrest is evidence of Soviet panic seeking scapegoats for increasing breakdown of industrial programme, but much division of opinion as to the soundness of

demand that prisoners be released before trial. Government had intended bringing in Bill giving power to put embargo on Soviet products but evidently pressure brought against this and decision postponed until the arrival of Ovey from Moscow.

SKELTON

871.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 101 Ottawa, April 20, 1933

Sir,

I have the honour to inform you that a modus vivendi governing commercial relations with Germany, in tariff matters, was concluded, to come into operation on the 1st April, and extending for a period of nine months.

Commercial relations between Canada and Germany have been the subject matter of discussions between the representative of the German Government and the representatives of the Canadian Government for some time, but it has not as yet been found practicable to conclude a treaty of commerce and navigation between the two countries. Accordingly, pending the negotiations, a modus vivendi has been arranged for a period of nine months, to which reference has already been made.

This modus vivendi is an extension of a somewhat similar arrangement which had been concluded to cover the period from the 1st January to the 31st March, 1933. That arrangement, in turn, had been an extension of a preceding arrangement based on a period of six months.

Under the new arrangement, Germany has been accorded the benefit of the Canadian Intermediate Tariff, in return for the grant of most-favoured-nation treatment in tariff matters to Canada. Provision is made for termination of the arrangement, in the event that Canada, at any time, grants to any other foreign country tariff concessions more favourable than those accorded to Germany.

I have the honour to bring these matters to your attention, and assume that you will have no direct interest in this matter, inasmuch as nothing in the arrangement referred to affects, in any way, the position under your Trade Agreement with Canada.

I have etc.

LAURENT BEAUDRY
for the Secretary of State
for External Affairs

872.

Le haut commissariat au sous-secrétaire d'État aux Affaires extérieures

Office of High Commissioner to Under-Secretary of State for External Affairs

London, September 18, 1933

Dear Dr. Skelton,

In the absence of the High Commissioner, I am forwarding you herewith, for the information of the Canadian Government, copy of a letter addressed to Mr. Ferguson by the Right Honourable J. H. Thomas, Secretary of State for the Dominions, dealing with the problem which has been created in connection with the exodus from Germany of Jews who find it no longer possible to secure their livelihood under the existing regime in that country.

Yours sincerely,

G. GRANT

[PIÈCE JOINTE/ENCLOSURE]

Le secrétaire aux Dominions au Haut commissaire

Dominions Secretary to High Commissioner

Downing Street, September 13, 1933

My dear Ferguson,

I am writing to you in connection with the problem which has been created by the exodus from Germany of Jews who find it no longer possible to secure their livelihood under the existing regime in that country. You are, of course, aware of the nature of this problem, and of the difficulties which it presents. What I am anxious to do is to enlist the sympathetic co-operation of your Government in the measures which are being suggested for coping with the situation, and this is where I need your help.

So far as we ourselves are concerned, the position is as follows: Refugees from Germany are admitted to this country in the ordinary way as visitors, and are required like any other foreigners to satisfy the Immigration Officer that they comply with the requirements of the Aliens Order, including the requirement that a foreigner seeking admission must be in a position to support himself and his dependents. In many cases guarantees of maintenance are provided by the Jewish Refugees' Committee, which has been formed in this country to assist the refugees, and guarantees by this body, or in proper cases by private individuals, are accepted as sufficient compliance with the requirement as to means.

The refugees are largely of the professional classes and include eminent scholars, men of science and university teachers, doctors, dentists, lawyers and students of various kinds. Permission has been given to a number of doctors,

dentists and lawyers to study here with a view to securing a British qualification in their profession. A number of applications for the appointment of some of the more distinguished German refugees—scientists and professors—to colleges, universities, or for research work, has also been received and permission has been freely granted. We are in close touch in this respect with a body known as the Academic Assistance Council, which has collected funds from which the appointments of such persons are subsidised. In regard to students permission is freely granted for those who are in a position to do so to complete their education or pursue a course of study in this country. Business people are also included among the refugees and permission has been given in many cases for them to engage in business in this country, e.g. in manufacture, import and export trading, in the fur trade, etc.

The question of employment is, of course, a difficult one, in view of the unemployment situation in this country, and persons who are admitted as refugees are required to obtain specific authority before taking up employment. It has, however, been possible to give sympathetic consideration to applications on behalf of refugees where the employment is of a minor character, or the post is in effect being created in special circumstances. For instance, Jewish women have been allowed to take up posts of a domestic or semi-domestic character, e.g. as domestic servants, nursery governesses, and teachers of the German language, in private houses. In certain cases, too, firms have been prepared to take on a refugee as an extra employee over and above their actual requirements, and this has been authorised.

In addition to the above, arrangements have been made with the Jewish Refugees' Committee whereby for an experimental period young Jewish refugees may be placed in industrial employment for the purpose of receiving training, with the idea that they should proceed in due course to Palestine or some other part of the world. This scheme, which has only just started, covers 100 individuals in the first instance. Thirty have already been placed in this way and the arrangements are working satisfactorily.

I should like to add that the Jewish refugees who have come from Germany to this country are in the main of a very good type.

You will see from the above that we have made, and are making, a solid contribution to the solution of this problem. The refugees from Germany consist, however, to a quite considerable degree of students and professional men, and the number of such men who can be absorbed in any one country is necessarily limited. We have been informed that some of them may desire either now or later to seek openings overseas, and the Jewish Refugees Committee, Woburn House, Upper Woburn Place, with which we have been in touch is aware that any application for admission of persons to a Dominion is entirely a matter for the Dominion Government concerned and must be taken up with that Government direct.

This letter has been written with the idea that it may be useful to your Government to know the lines upon which the United Kingdom Government is attempting to deal with this very difficult matter, and with the hope that in

suitable cases it may be possible for the Canadian Government to consider sympathetically the admission into Canada of a limited number of refugees of the type I have mentioned, in the event of an application being made either by the persons concerned or by some organization such as the Jewish Refugees Committee in their behalf. If you would like any further information the Home Office would be very pleased to supply it or to discuss the question with you informally.

I may mention that on July 20th last I sent to Mr. Bennett a letter, a copy of which I enclose,[1] which I had received on this subject from Mr. Simon Marks.

I am writing in similar terms to Bruce, Wilford and te Water.

Yours sincerely,

J. H. THOMAS

873.

Le Conseiller au sous-secrétaire d'État aux Affaires extérieures
Advisory Officer to Under-Secretary of State for External Affairs

Geneva, October 17, 1933

My dear Dr. Skelton,

I thought you might be interested in the action taken by the Fourteenth Assembly regarding assistance to refugees coming from Germany and I therefore enclose a copy of the resolution on this subject which was finally adopted.

The first resolution seemed to the Canadian Delegation to place rather definite obligations on the Members of the League to provide employment for German refugees, and it was therefore decided that I should make a statement in the Second Committee explaining that, in view of the present unemployment situation in Canada, it was impossible for the Canadian Delegation to assume any such obligations as assisting these refugees to find employment in Canada. As there was a good deal of opposition to the first draft, it was finally very considerably modified.

The Council at its meeting of 12th October, in compliance with the Assembly's resolution, instructed its President in consultation with the Rapporteur and six other members of the Council to proceed to the appointment of the High Commissioner. As regards the Governing Body, the Council decided that it should be composed of representatives of the following countries: Netherlands, Switzerland, Denmark, Italy, Great Britain, Sweden, Spain, United States of America, Argentine, Brazil, Uruguay. The Governing

[1] Non reproduite. [1] Not printed.

Body thus constituted was empowered to co-opt other Governments as and when it may be found necessary.

Yours sincerely,
W. A. RIDDELL

874.

Le sous-ministre de l'Immigration et de la Colonisation au sous-secrétaire d'État aux Affaires extérieures

Deputy Minister of Immigration and Colonization to Under-Secretary of State for External Affairs

Ottawa, November 6, 1933

Dear Dr. Skelton,

This will acknowledge receipt of your communication of the 30th ultimo enclosing copy of a communication from Dr. Riddell of Geneva, covering a Resolution of the League of Nations on the subject of assistance for refugees (Jews and others) from Germany.

It is quite apparent that a strict administration of the existing Immigration regulations will not offer any solution so far as Canada is concerned, of the problems of Jews or other refugees. The immigrants admissible from the Continent are,—(a) wives and unmarried children under eighteen years of age, joining family heads established in Canada, and (b) agriculturists with ample funds to begin farming in this country. Once a refugee has left Germany and gone to live in some other country, the passport difficulty is likely to arise as well. The admission of any immigrants not holding proper passports or not belonging to the two classes above mentioned, involves an Order-in-Council authorizing admission notwithstanding certain provisions of the Immigration regulations.

The matter of admitting refugees is of course a matter of Governmental policy. Neither the regulations nor conditions prevailing here, are favourable to granting the request. We have a considerable file of papers on which there are many protests from organizations and individuals in Canada against a movement to this country of German Jews reported to be coming our way.

Yours very truly,
W. J. EGAN

875.

Décret du Conseil

Order in Council

P.C. 5074 December 23, 1933

Whereas, under the authority of Section 4 of the Customs Tariff, the Governor in Council is empowered, from time to time, to extend the benefit of

the Intermediate Tariff, in whole or in part, to any country the produce or manufactures of which have previously been subject to the rates of the Customs duties set forth in the General Tariff;

And whereas the Secretary of State for External Affairs reports, with the concurrence of the Minister of Finance, the Acting Minister of Trade and Commerce and the Minister of National Revenue, that the German Government has agreed, in return for the grant of the Intermediate Tariff, to extend to goods the produce or manufacture of Canada, on importation into Germany, the rates of the German Conventional Tariff, and, on those commodities on which there are no Conventional rates, the rates of the German General Tariff, provided that this agreement be subject to termination at any time, and that on its termination, natural or manufactured products of either country, would continue to enjoy, on importation into the other, the benefits of the agreement for a period of six weeks from the date of notice of termination;

Now therefore His Excellency the Governor General in Council, on the recommendation of the Secretary of State for External Affairs, with the concurrence of the Minister of Finance, the Acting Minister of Trade and Commerce and the Minister of National Revenue, is pleased to order and it is hereby ordered as follows:

1. The benefit of the Intermediate Tariff is hereby extended to products originating in and imported from Germany, provided that such products are imported direct;

2. In order to secure the advantages aforesaid, such products should be deemed to be imported direct, only when conveyed without transshipment from a port of Germany or from a port of a country enjoying the benefit of the British Preferential or Intermediate Tariff, into a sea, lake or river port of Canada.

3. This agreement shall enter into force on January 1st, 1934, and shall continue in force until repealed by Order in Council published in the *Canada Gazette*.

876.

Le Haut commissaire au sous-secrétaire d'État aux Affaires extérieures
High Commissioner to Under-Secretary of State for External Affairs

London, April 25, 1934

Dear Dr. Skelton,

During my absence in Canada last year my Secretary, Mr. G. Grant, sent you copy of a letter received from Mr. Thomas, Secretary of State for the Dominions, dated September 13th, dealing with the problem created in this country in connection with the exodus of Jews from Germany.

I now enclose you copies of correspondence[1] recently exchanged on this subject. You will note from Mr. Thomas's last letter, dated April 23rd, that he is not pressing for any further action.

Yours sincerely,
G. H. FERGUSON

877.

Le haut commissariat pour les réfugiés au secrétaire d'État aux Affaires extérieures

High Commission for Refugees to Secretary of State for External Affairs

Lausanne, May 25, 1934

Sir,

In the name of the High Commissioner for Refugees coming from Germany, I have the honour to send you, under separate cover, two copies of the report of the meetings of the High Commission which were recently held in London.

The High Commissioner begs to invite your attention to the resolution adopted by the Assembly of the League of Nations last October, which is set out in the introductory section of the report. The resolution includes the following clauses:

> The Assembly,
>
> Having regard to the situation created by the fact that a large number of persons, Jewish and other, coming from Germany, have, in recent months, taken refuge in several Countries;
>
> Considering that their presence in those countries constitutes an economic, financial and social problem, which can be solved only by international collaboration;
>
> Suggest that the Council should nominate a High Commissioner to negotiate and direct such collaboration, and particularly to provide, as far as possible, work for the refugees in all countries which are able to offer it;
>
> . . .
>
> Is convinced that all Governments will assist the High Commissioner to the best of their abilities in the tasks defined above; and, with this object, the present resolution will be communicated to States Members and to non-Members of the League.

The High Commissioner would also like to invite your attention to the recommendations (see document "Annex III to P.V.3", enclosed) concerning the issue of travel documents for refugees which were communicated to the States represented on the Governing Body and which have been generally approved by those States with slight modifications concerning especially the duration of validity.

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[1] Non reproduite. [1] Not printed.

Further recommendations of the Advisory Council about the documents and, particularly about the grant of the visas thereon, were considered by the Governing Body and finally adopted in the form quoted in annex II.

The High Commissioner hopes that your Government, recognizing the need of international collaboration in the solution of the problem will be willing, in case of need, to issue to a refugee from Germany, who has not a valid national passport and requires a travel document, the instrument recommended by the Governing Body of the High Commission. He begs to suggest that this travel document should bear the mention that it is issued to a refugee coming from Germany, this mention may be useful to carry out the recommendation referring to free visas.

The High Commissioner would be grateful to you if he might hear from you, in due course, what action on these lines your Government proposes to take.

I am etc.

A. WURFBAIN

878.

Le sous-ministre de l'Immigration et de la Colonisation au sous-secrétaire d'État aux Affaires extérieures

Deputy Minister of Immigration and Colonization to Under-Secretary of State for External Affairs

Ottawa, July 30, 1934

Dear Sir,

I have the honour to refer to your communication of the 19th ultimo with enclosures from W. A. Riddell, Canadian Advisory Officer, League of Nations, Geneva.

The matter of assisting Jewish and other refugees from Germany, was raised in September last when Mr. Simon Marks of London communicated with the Rt. Hon. Mr. Thomas, Secretary for the Dominions and the latter with the Hon. Mr. Ferguson. At that time it was suggested that numbers of these Jewish refugees might be admitted to Canada.

The matter was raised again in Dr. Riddell's letter to you of the 17th October, a copy of which was transferred with your communication of the 30th October and was replied to on the 6th November. The matter was up for consideration again in May last when on the 2nd of that month you transferred to us a copy of confidential circular despatch B. No. 43 to which papers I replied on the 7th May. There is nothing new presented and the suggestion in brief is that Jewish refugees admitted to several countries of Europe, constitute an economic, financial and social problem that it is suggested can be solved only by "international collaboration" which term is intended to cover the transfer of a number of these refugees to countries

such as Canada where they are expected to find permanent homes. If these refugees have created "economic, financial and social problems" in the countries to which they have been admitted, it is perfectly reasonable to suppose that these problems would merely be transferred to Canada by the transfer of the refugees. As the admission of these refugees would be contrary to existing Immigration regulations, I cannot see that we can offer any solution.

Your very truly,

T. MAGLADERY

879.

Le consul général par intérim d'Allemagne au sous-secrétaire d'État aux Affaires extérieures

Acting Consul General of Germany to Under-Secretary of State for External Affairs

Montreal, August 28, 1934

Sir,

I have the honour to refer to my conversation with you on Friday.

According to Article 34, Section IV, Part III of the Treaty of Versailles, the population of the territory of the Saar Basin will, at the termination of a period of fifteen years from the coming into force of the Treaty, be called upon to indicate their desires on the three following alternatives:

a) Maintenance of the régime established by the present Treaty and by its Annex;
b) Union with France;
c) Union with Germany.

All persons, without distinction of sex, more than twenty years old at the date of the voting, resident in the territory at the date of the signature of the Treaty, will have the right to vote. The date on which the plebiscite is going to take place, has now been fixed for January 13, 1935. A certain number of persons who, according to the above mentioned treaty, have the right to vote and intend to exercise their right, now reside in Canada.

A person, who has been legally admitted to Canada and is a bona fide resident thereof, who leaves this country for a temporary purpose, intending to return to his place of residence, is considered as coming under non-immigrant status when applying at a Canadian port of entry for re-admission (letter of the Deputy Minister of Immigration and Colonization, dated November 7, 1930—File 18428—Imm.). According to information received from the Immigration Office at Montreal, persons applying for re-admission have amongst other things to prove that they possess at least one hundred dollars when re-entering Canada.

I am aware that a few German nationals who desire to exercise their right to vote in connection with the above mentioned plebiscite, will possibly not be able to prove that, when applying for re-admission into Canada, they are still in possession of the one hundred dollars required according to the rule in practice at the present time. I have the honour to ask you therefore, to inform me whether the Canadian Government, in view of the special circumstances, could see its way to suspend the rule requiring proof of possession of $100.00 with regard to such German nationals who, having been legally admitted to Canada and being bona fide residents thereof, apply for re-admission upon returning from the above mentioned plebiscite.

I have etc.

W. T. HINRICHS

880.

Le sous-secrétaire d'État aux Affaires extérieures au consul général par intérim d'Allemagne

Under-Secretary of State for External Affairs to Acting Consul General of Germany

Ottawa, August 31, 1934

Sir,

I have the honour to acknowledge your letter of August 28th, enquiring as to whether the Canadian Government could see its way to suspend their ruling requiring proof of the possession of $100 in the case of German nation[al]s who having been legally admitted to Canada and being bona fide residents thereof, apply for re-admission upon returning from a journey to the Saar to take part in a plebiscite to be held in January next.

I regret that it would not be possible to make any departure from the existing rules on the ground of any special activity that the travellers had in mind when abroad. So far as I am aware, however, the existing rules do not prevent a temporary visit such as the travellers you refer to have in mind. As regards persons who have established Canadian domicile by five years' residence the $100 rule does not apply. As regards persons who have not established Canadian domicile, the $100 rule does not apply if they can establish that they have left Canada for a temporary purpose and have not been absent from the country for more than a year.

If you wish to go into the matter further, I would suggest that you communicate direct with the Commissioner of Immigration.

I have etc.

O. D. SKELTON

INDES / INDIA

881.

Note d'une conversation avec un délégué des Indes à la Conférence économique impériale

Note on a conversation with a Delegate from India to Imperial Economic Conference

[Ottawa,] July 30, 1932

INDIA PREPARED TO INITIATE BILATERAL TARIFF NEGOTIATIONS

Mr. E. J. Turner of the Indian Delegation called this morning and stated that his Delegation is prepared to discuss tariff relations between India and Canada, and will be pleased to initiate negotiations at the convenience of the Canadian Government.

Mr. Turner stated that his Delegation intends to deliver similar messages to certain other parts of the Commonwealth.

I do not think it can be too strongly urged that the Canadian Delegation should seize this offer at once before India has had time to initiate negotiations with some other part of the Commonwealth first.

Incidentally, this presents an opportunity to get away from the impasse which is developing in the commodity committees, where it is already evident that the Dominions and India are unable to draw up an agreed statement of tariff requests, even on such simple commodities as butter in which they are all more or less interested, for presentation to the United Kingdom.

J. S. M[ACDONALD]

882.

Le secrétaire d'État aux Affaires extérieures au secrétaire au gouvernement des Indes

Secretary of State for External Affairs to Secretary to Government of India

TELEGRAM Ottawa, March 1, 1933

CONFIDENTIAL. Your communication No. 776-T(1) of January 6. Proposed Trade Agreement between Canada and India.

The Trade Agreements concluded by Canada at the Imperial Economic Conference with the United Kingdom, the Irish Free State and Southern Rhodesia have gone into effect and it is expected that the Trade Agreement with the Union of South Africa will be promulgated shortly. The Canadian Government are equally desirous of proceeding with the conclusion of a mutually satisfactory Trade Agreement between Canada and India as soon as may be convenient to your Government. I may add that in conformity with the practice

which has been followed since the establishment of the British Preferential Tariff more than thirty years ago, Canada is extending to products of British India the increased tariff preferences accorded to United Kingdom products in the recent Trade Agreement between Canada and the United Kingdom.

Canadian firms interested in the Indian trade state that, in consequence of the Trade Agreement between India and the United Kingdom having gone into force on January 1st, 1933, Canadian trade with India in such commodities as automobiles, rubber tires, aluminum manufactures, electrical apparatus, iron pipe and tubing, canned salmon, medicinal preparations and calcium carbide is now subjected to a serious tariff handicap. As some months may elapse before the contemplated Trade Agreement can be concluded and approved by our respective Legislatures, the Canadian Government would be grateful if the Government of India could extend to Canadian products the tariff concessions accorded to the United Kingdom, pending the conclusion of a Trade Agreement between Canada and India.

883.

Le secrétaire au gouvernement des Indes au secrétaire d'État aux Affaires extérieures

Secretary to Government of India to Secretary of State for External Affairs

TELEGRAM 24T Simla, June 6, 1933

With reference to the request contained in the last sentence of your telegram of the 1st March, the Government of India regrets that it is impossible to grant any tariff concessions before they have been considered and approved by the Indian Legislature. The whole matter is under examination.

884.

Le secrétaire d'État aux Affaires extérieures au secrétaire au gouvernement des Indes

Secretary of State for External Affairs to Secretary to Government of India

TELEGRAM Ottawa, January 18, 1935

Your despatch No. 24T-33 September 25th, 1934, in which you stated that Canadian proposals regarding trade agreement between Canada and India were receiving active consideration and further communication might be expected shortly. Canadian Parliamentary Session opened yesterday and any trade agreement effected would require to be brought down for Parliamentary approval at early date. We are finding much difficulty defending continued extension of British Preferential Tariff to Indian products in the absence of a

trade agreement and now that Indian agreement with United Kingdom has been concluded we trust Government of India will be free to resume discussions initiated over two years ago. In your telegram of 19th February, 1934, it was agreed that negotiations should be carried on by cable. If any delay anticipated in effecting special agreement we trust Government of India will be able to extend immediately to Canada tariff concessions given United Kingdom leaving further arrangements for later disposition.

885.

Le secrétaire au gouvernement des Indes au secrétaire d'État aux Affaires extérieures

Secretary to Government of India to Secretary of State for External Affairs

TELEGRAM Simla, October 4, 1935

Commerce Department. Please refer to my telegram of the 9th February. Government of India have now examined proposals made by Canadian delegation at Ottawa, but before consulting Indian commercial opinion thereon and putting their own views, they consider that it would be advisable to await result of debate in Indian Legislature on the subject of Ottawa scheme of preferences which will be held in forthcoming session in February next. They feel that their hands would be strengthened by favourable vote but that chance of such vote would be seriously prejudiced were further agreement to be concluded on the eve of debate.

ITALIE/ITALY

886.

Le sous-secrétaire d'État aux Affaires extérieures au consul général d'Italie

Under-Secretary of State for External Affairs to Consul General of Italy

Ottawa, July 12, 1935

Sir,

I have the honour to refer to the discussions which have taken place in recent months with a view to further extending and developing trade between Canada and Italy, and in particular to the "aide-mémoire" which you left with me on July 2nd. The Canadian Government, having given careful consideration to its contents, are now in a position to reply to the various points set forth therein.

It is greatly regretted that the Italian Government are not in a position to grant either the tariff reduction requested on wheat which, as you are aware, is our principal export product, or any part of the requested quota of 1,500,000 metric quintals per annum. It is also regretted that the Italian

Government are unable to grant a reduction in the duty on canned salmon, another important product in Canada's export trade, or to accord the requested minimum quota of 20,000 metric quintals per annum. The inability of your Government to accord concessions on these two principal products very considerably limits the benefits which were expected to accrue from the proposed Agreement and will, of course, necessitate some revision of the concessions which the Canadian Government could grant in return.

. . .

In conclusion I should like to point out that the season for curing cod fish for the Italian market will open shortly. The proposed Agreement, therefore, to be of benefit to Canada should enter into force without delay. Accordingly, I should like to suggest that, if the modifications outlined above meet with the approval of your Government, the proposed Agreement be concluded as soon as possible by an Exchange of Notes to enter into force on July 20th next.

I have etc.

O. D. SKELTON

887.

Le consul général d'Italie au sous-secrétaire d'État aux Affaires extérieures
Consul General of Italy to Under-Secretary of State for External Affairs

Ottawa, August 13, 1935

Sir,

With reference to your letter of the 12th of July, concerning commercial relations between Canada and Italy, I have the honour to inform you that I have submitted to my Government the new proposals contained in the aforesaid note, and that I have now received a reply.

Generally speaking the Italian Government feels that, since Canadian tariff concessions will benefit a very small number of Italian products, whose possibilities of increased sales in Canada seems to be somewhat limited, it would not be expedient, at this moment, to conclude a commercial agreement unless the Canadian Government were prepared to grant the reductions which were originally proposed in the draft which was handed to me by the Hon. Minister of Commerce at the end of April last.

Therefore, under instructions from my Government, I have the honour to inform you that the conclusion of an agreement such as the one which is being studied, could not take place unless the Canadian Government were ready to maintain the original tariff reductions contained in the April draft, with the following modifications:

. . .

I am enclosing herewith a draft agreement,[1] with the different modifications made which would form the basis of the proposed agreement.

[1] Non reproduit. [1] Not printed.

This agreement is not perhaps completely satisfactory for the Canadian interests, but it is no more for the Italian products. Indeed, besides tomatoes and hats, there are other products, which would represent interests of the first order for the Italian importation into Canada, such as wool tissues and essential oils, and they are not mentioned in the present arrangement.

While bringing what precedes to your attention, I have the honour to inform you that, if the Canadian Government accepts the above mentioned proposals, my Government has already authorized me to proceed with the exchange of notes, which, if there is no Canadian regulation opposed to it, would be confidential.

I have etc.

L. PETRUCCI

888.

Le sous-secrétaire d'État aux Affaires extérieures au consul général d'Italie
Under-Secretary of State for External Affairs to Consul General of Italy

Ottawa, August 17, 1935

Dear Mr. Petrucci,

With further reference to our discussion of yesterday respecting the proposed supplementary Trade Agreement between Canada and Italy, I may say that it would not be practicable for the Canadian Government, for the reasons set forth in my letter of July 12th, to fix definitively in the contemplated Exchange of Notes the present rates on hats, hoods and shapes of felt. You will recall that the Canadian Parliament, without awaiting any concession from Italy in return, reduced the rates to the level proposed in the original basis of agreement and that Italy is already benefitting from the reductions which were made retroactive to March 22nd. These reductions were based on a study of comparative costs of production in Canada and other countries by the Tariff Board. As it is contemplated that a further investigation of comparative costs of production will be held by the Tariff Board in the next year or two, should conditions warrant, it will be evident that it would be impracticable to fix the rates definitively at the present level. Such an arrangement would have the effect of barring further reductions should the Tariff Board find that they were warranted. In any case it is the policy of the Canadian Government in its Trade Agreements with other countries not to enter into undertakings that would have the effect of preventing it from revising rates of duty in particular cases should conditions make it necessary.[1]

Yours sincerely,

O. D. SKELTON

[1] Les négociations se poursuivirent jusqu'en septembre après quoi elles furent suspendues. En les reprenant en octobre 1936, le consul général d'Italie fit remarquer que des raisons d'une autre nature avaient empêché la conclusion d'un accord en 1935.

[1] Negotiations continued into September and then were suspended. The Consul-General of Italy re-opened the discussions in October, 1936, noting that "several reasons of different order" had prevented the conclusion of an agreement in 1935.

JAPON/JAPAN

889.

Le ministre du Japon au secrétaire d'État aux Affaires extérieures
Minister of Japan to Secretary of State for External Affairs

No. 6 Ottawa, March 4, 1932

Sir,

I have the honour to inform you that I am in receipt of communications from several Japanese residents in Canada, either directly or through their lawyers, that the Department of the Secretary of State has notified them that their application for Canadian naturalization certificate would receive consideration, if the applicants produced documentary evidence in the form of a release from the Japanese Government of their Japanese nationality.

In some instances the Department of the Secretary of State is understood to have stated that naturalization certificates might be issued to persons of Japanese origin, if the applicants showed that they had followed the procedure relative to the renunciation of Japanese nationality as set out in Ordinance No. 26 of the 27th November, 1924, issued by the Japanese Ministry of the Interior.

The meaning of the "documentary evidence in the form of a release from the Japanese Government of applicants' Japanese nationality" is not clear to me in the light of the nationality laws and regulations of Japan, nor is that of "the procedure relative to the renunciation of Japanese nationality as set out in Ordinance No. 26 of November 27th, 1924".

It is possible that the Department of the Secretary of State has in mind certain specific procedures contained in the Japanese laws and regulations. In that event, I should be much obliged if you would be good enough to inform me of the stipulations in the Japanese laws and regulations which the Department of the Secretary of State deems applicable in the actual instances now before us.

In case, however, the Department of the Secretary of State has in view any procedure which is not embodied in the existing Japanese laws and regulations, I should be grateful if you would be so good as to inform me what action of the Japanese Government in each instance would be considered satisfactory to the Department of the Secretary of State as evidence of the release of the Japanese nationality.

I avail etc.

I. M. TOKUGAWA

890.

Le secrétaire d'État aux Affaires extérieures au ministre du Japon
Secretary of State for External Affairs to Minister of Japan

No. 2 Ottawa, March 21, 1932

Sir,

With reference to your note No. 6 of the 4th instant in regard to difficulty experienced by Japanese residents in Canada obtaining naturalization in the Dominion, I have the honour to inform you that a copy of this note was forwarded to the Department of the Secretary of State of Canada and the attention of that Department again directed to the Legation's memorandum of the 12th September, 1931, explaining that the procedure for renunciation of Japanese nationality as laid down in the Japanese Ordinance No. 26 of the 17th November, 1924, was applicable only to Japanese possessed of double nationality and was not available to other Japanese. A reply has now been received from the Department, copy of which I herewith enclose, setting forth the reasons which have led to the adoption of the procedure laid down by the Order-in-Council of the 17th June, 1931.

Accept etc.

O. D. SKELTON
for Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Le sous-secrétaire d'État au sous-secrétaire d'État aux Affaires extérieures
Under-Secretary of State to Under-Secretary of State for External Affairs

Ottawa, March 19, 1932

Sir,

I have the honour to acknowledge the receipt of your letter of the 7th instant, covering a copy of a Note from the Japanese Minister upon the subject of the naturalization in Canada of persons of Japanese nationality, the contents of which have been considered.

The procedure of the Department of the Secretary of State with respect to the naturalization of Japanese nationals is set out in an Order-in-Council of 17th June, 1931, a copy of which I am sending to you herewith. This Order-in-Council was passed for the purpose of putting the matter of the naturalization of orientals on a logical basis.

The Department has found that Japanese nationals naturalized in Canada do not, in many instances, regard themselves as having changed their na-

tionality. Moreover, Certificates issued to Japanese are known to be dealt with improperly.

For instance, the Department has been advised by the Police that the canning factories in British Columbia keep on hand Naturalization Certificates which have been issued to Japanese applicants, so that these may be handed out to fishermen who apply to them for employment, in order to enable those men to obtain Fishing Licenses. There seems to be an absolute disregard of the change of nationality brought about by their naturalization in Canada.

In other instances, the Department has been advised through official channels—the Consul-General at Tokyo—that eight Japanese appeared at the British Consulate holding Naturalization Certificates issued in Canada. On investigation, it was found that none of these persons had ever been out of Japan. This, of course, was brought about by these Japanese getting the Canadian Naturalization Certificates issued to their cousins.

The Department considered that if the Japanese Government was called upon to intervene in every case of an application from a Japanese national many of the frauds which have been practised would become impossible.

Undoubtedly the Japanese law on the subject, so far as this Department has been able to ascertain, is not clear, but there is a provision under which a Japanese may renounce his nationality. Under Article 27 (2) it is stated that the procedure is laid down by Ordinance No. 26 of the 17th of November, 1924, issued by the Ministry of the Interior.

The Government of Canada, as expressed in the Order-in-Council referred to, has decided that, as a condition precedent to the issue of a Certificate of Naturalization to a Japanese national, he should renounce his Japanese nationality.

I have etc.

THOMAS MULVEY

891.

Le ministre du Japon au secrétaire d'État aux Affaires extérieures
Minister of Japan to Secretary of State for External Affairs

No. 13 Ottawa, May 3, 1932

Sir,

I have the honour to acknowledge the receipt of your note No. 2, dated March 21, together with a copy of a note of the Under-Secretary of State setting forth the reasons which have led to the adoption of the procedure laid down by the Order-in-Council of June 17, 1931.

I note with special attention the statement in the note of the Under-Secretary of State that "The Department has found that Japanese nationals

naturalized in Canada do not, in many instances, regard themselves as having changed their nationality. Moreover, Certificates issued to Japanese are known to be dealt with improperly." and that "The Department considered that if the Japanese Government was called upon to intervene in every case of an application from a Japanese national many of the frauds which have been practised would become impossible."

I need not state that care is scrupulously exercised by the Japanese Government for preventing fraudulent conducts of Japanese subjects in connection with their naturalization in foreign countries as in regard to any other matter. In view, however, of the opinion expressed by the Under-Secretary of State in favour of intervention by the Japanese Government in every case of application for Naturalization Certificates, I should be glad to make recommendations to my Government on the matter upon the basis of any arrangement which might be arrived at through an unofficial exchange of views between your authorities concerned and this Legation.

I should be grateful, therefore, if you would be good enough to arrange that some official of the State Department receive a representative of this Legation for the purpose of discussing the matter.

In the meantime, I beg to invite your attention to the information embodied in the enclosed statement.[1]

I avail etc.

I. M. TOKUGAWA

892.

Le ministre du Japon au secrétaire d'État aux Affaires extérieures
Minister of Japan to Secretary of State for External Affairs

No. 3 Ottawa, February 3, 1934

Sir,

I have the honour to call your attention to the fact that the question of the procedure relative to the naturalization of Japanese in Canada, which has since March 1932, been a subject of discussion between your Department and this Legation, is still left unsettled, awaiting the decision of your Government. My Government now desire me again to request your Government to modify the Order-in-Council of June 17, 1931, so as to remove the discrepancy which exists between Canadian and Japanese procedures.

It has been pointed out by this Legation that the Canadian procedure in question, if put in practice, would place a Japanese applicant for naturalization in the singular position of having no nationality for an indefinite period pending the outcome of his application. Such a process is not in accord with

[1] Non reproduite. [1] Not printed.

the principle of the Japanese Law of Nationality, and, in point of fact, there is no provision of law in Japan by which a Japanese intending to obtain foreign nationality may renounce his nationality before the foreign nationality is acquired. Contrary to what appears to be the understanding of the Canadian authorities concerned, the procedure relative to the renunciation of nationality which is provided for in Ordinance No. 26 of November 17, 1924, issued by the Japanese Ministry of the Interior, has no application with regard to the loss of nationality by reason of the voluntary acquisition of foreign nationality.

If the purpose of the Canadian Government, in passing the Order-in-Council of June 17, 1931, was to preclude dual nationality likely to be possessed by a naturalized Canadian of Japanese origin, it is believed that the same purpose will be served without making the renunciation of Japanese nationality a condition precedent to the issue of a certificate of naturalization.

It is the principle of the Japanese law that Japanese nationality is automatically lost to a Japanese upon acquiring foreign nationality by his own wish. This automatic loss of nationality should be, in the opinion of this Legation, just as effective in preventing the Japanese concerned from acquiring dual nationality, as if he had renounced Japanese nationality before obtaining a Canadian certificate of naturalization.

A means may be found by which advance information will be made available for the Canadian authorities concerned as to whether or not, in each case, the Japanese applicant for naturalization in Canada is to lose Japanese nationality in accordance with the principle of the Japanese law.

Opinion has been expressed by this Legation that the Japanese Government would be in a position to ascertain the status in the Japanese law of each Japanese concerned and to issue a certificate for him, if he is entitled to one, verifying that, by virtue of the Japanese law, he is to lose Japanese nationality automatically in the event of his acquiring Canadian nationality. It is observed that such a certificate verifying the loss of Japanese nationality to take place simultaneously with the acquisition of that of Canada may, for obvious reasons, be as acceptable to the Canadian authorities concerned as the documentary evidence which they now require of Japanese applicants to produce in the form of a release of nationality issued by the Japanese Government.

This Legation, in drawing as it did the attention of the Canadian authorities concerned to the several points mentioned above, requested them to reconsider their procedure in question in order that the unnecessary conflict between the procedures of the two Governments might be eradicated.

It is my belief, and also that of my Government, that this adjustment can be made by mutual co-operation without interfering with the apparent purpose for which the Order-in-Council of June 17, 1931, was passed, and without at the same time sacrificing the established principles of the Japanese Law of Nationality.

I should be very grateful if you would be good enough to give your personal attention to this matter and communicate to me the views of your Government at an early date.

I avail etc.

I. M. TOKUGAWA

893.

Le secrétaire d'État aux Affaires extérieures au ministre du Japon
Secretary of State for External Affairs to Minister of Japan

No. 9 Ottawa, May 3, 1934

Sir,

I have the honour to acknowledge your note No. 3 of February 3rd, 1934, on the subject of the procedure adopted in dealing with Japanese applications for naturalization in Canada, and to state that your observations have been carefully considered by the Secretary of State and myself.

I note the difficulties you indicate in carrying out the procedure set forth in the Order-in-Council of June 17, 1931, and particularly your statement that no provision is made by the law of Japan whereby a Japanese intending to obtain foreign nationality may renounce his Japanese nationality before the foreign nationality is acquired.

I note also your observation that it is the principle of the Japanese law that Japanese nationality is automatically lost to a Japanese upon acquiring foreign nationality by his own wish. While this is indeed the principle of the Japanese Nationality Law as set forth in Article 20, important exceptions and restrictions are imposed by Article 24 of the same law, which reads as follows:

> Notwithstanding the provisions of Article 19, Article 20, and the preceding three articles, a male of full seventeen years of age or upwards does not lose Japanese nationality, unless he has completed active service in the army or navy, or unless he is under no obligation to serve.
>
> A person who actually occupies an official post, civil or military, does not lose Japanese nationality notwithstanding the provisions of the preceding eight articles until after he or she has lost such official post.

You are right in your assumption that the purpose of the Canadian Government in passing the Order-in-Council of June 17, 1931, was to preclude the establishment of dual nationality. In view of the facts as to Japanese law on this point, which are briefly summarized in the preceding paragraphs of this note, we are in general agreement with your suggestion that a solution may be found, so far as this factor in effecting naturalization is concerned, by adopting a system of prior information in place of the method of prior renunciation set forth in the present Order-in-Council.

We would be prepared, therefore, to enter into an arrangement whereby your Legation would be notified of applications received from Japanese subjects resident in Canada for naturalization as British subjects, in order that the Legation might certify, if such are the facts, that the applicant in each case has completed active service in the Japanese army or navy, or is under no obligation to serve; that the applicant does not occupy any official post either civil or military under the Japanese Government, and that on a certificate of naturalization being granted to such applicant by the Secretary of State of Canada, he would automatically lose Japanese nationality. If such an arrangement can be effected, the Secretary of State is prepared to recommend to Council the necessary modifications in the Order-in-Council of June 17, 1931.

You will of course realize that the Secretary of State must retain his right to exercise discretion in each case, as it would not be possible for the Canadian Government to bind itself to grant naturalization to every applicant merely upon the ground that dual nationality did not arise, or on the other hand, to refuse to grant naturalization to applicants without the consent of the Government to which they owed allegiance at the time.

I trust that it will be possible to work out a satisfactory solution of this question along the lines indicated.

Accept etc.

O. D. SKELTON
for Secretary of State
for External Affairs

894.

Le ministre du Japon au secrétaire d'État aux Affaires extérieures
Minister of Japan to Secretary of State for External Affairs

No. 17 Ottawa, May 29, 1934

Sir,

By your note No. 9 of May 3rd, you were good enough to inform me that you would be prepared to enter into an arrangement whereby this Legation would be notified of applications received from Japanese subjects resident in Canada for naturalization as British subjects, in order that the Legation might certify if such are the facts, that the applicant in each case has completed active service in the Japanese army or navy, or is under no obligation to serve; that the applicant does not occupy any official post either civil or military under the Japanese Government, and that on a certificate of naturalization being granted to such applicant by the Secretary of State of Canada, he would automatically lose Japanese nationality. You were so good also

as to inform me that if such an arrangement could be effected, the Secretary of State was prepared to recommend to Council the necessary modifications in the Order-in-Council of June 17, 1931.

Having communicated the contents of your note to my Government, I am now in receipt of their reply authorizing me to inform you that this Legation is prepared to be notified of applications received from Japanese subjects resident in Canada for naturalization as British subjects and, upon such notification being received, to certify, if such are the facts, that the applicant in each case has completed active service in the Japanese army or navy, or is under no obligation to serve; that the applicant does not occupy any official post either civil or military under the Japanese Government and that on a certificate of naturalization being granted to such applicant by the Secretary of State of Canada, he would automatically lose Japanese nationality by virtue of Article 20 of the Nationality Law of Japan.

I note the statement in your note that the Secretary of State must retain his right to exercise discretion in each case, as it would not be possible for the Canadian Government to bind itself to grant naturalization to every applicant merely upon the ground that dual nationality did not arise, or on the other hand, to refuse to grant naturalization to applicants without the consent of the Government to which they owed allegiance at the time.

I trust that the present communication will give the Secretary of State a satisfactory basis for his recommending to Council the necessary modifications in the Order-in-Council of June 17, 1931.[1]

I avail etc.

I. M. TOKUGAWA

895.

Le secrétaire d'État par intérim aux Affaires extérieures au ministre au Japon
Acting Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 11 Ottawa, May 10, 1935

CONFIDENTIAL. Press reports from Tokyo in regard to trade situation are conflicting. Some state Japanese Government has decided to apply Trade Protection Law against Canada though date and products not yet decided upon; other reports state that it has been decided to postpone action until newly appointed Minister reaches Canada when import permit system will be enforced if Canadian tariff exchange regulation not adjusted by that time. Without making any official enquiries, we should like to have any information you have available. Message ends.

[1] Ce qui fut fait par le décret C.P. 1760 du 13 août 1934.

[1] This was done by P.C. 1760 of August 13, 1934.

896.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPRASE OF TELEGRAM 12 Tokyo, May 11, 1935

CONFIDENTIAL. Your telegram No. 11 of the 10th May. No positive assurance can be given as to when proposed action will commence. However, it is probable that any definitive action will be deferred until arrival in Canada of Minister. Active newspaper campaign is in the meantime being directed against Canada with serious results as to trade. The Foreign Office strongly complained of want of attention to previous representations; much more preferable to our trade position and prestige to have negotiations and any agreement take place in this country. Important despatches are being sent by today's mail. Message ends.

897.

Le sous-secrétaire d'État aux Affaires extérieures au ministre au Japon
Under-Secretary of State for External Affairs to Minister in Japan

Ottawa, May 14, 1935

My dear Mr. Marler,

CANADIAN-JAPANESE TRADE

May I refer to your telegram No. 12 of the 11th May and previous telegraphic and letter correspondence regarding the Japanese protests against what they consider the unbalanced trade situation between Canada and Japan.

The question is one which has been receiving the careful consideration of the Government. Its task is not made easier by the wide publicity given to the demand by the British Columbia exporting interests affected that the Japanese requests be conceded. These interests have taken at their face value Japanese arguments and threats, and have made it more difficult to reach a reasonable settlement with Japan. The Government is bombarded on the other hand by letters and telegrams from various Canadian manufacturing interests which are extremely apprehensive of any relaxation of the protection afforded by the exchange compensation duty. I enclose copies of sample communications[1] on both sides of the question.

Before the Japanese question arose, an interdepartmental committee, representing Finance, Trade and Commerce, National Revenue and External Affairs, had been appointed to consider the possibility of finding a more exact

[1] Non reproduites. [1] Not printed.

and scientific method of applying the exchange compensation duty. The assumption underlying that duty is that a depreciated currency enjoys a competitive advantage equivalent to the amount of depreciation. Obviously, however, if costs of production have risen, this movement to that extent cancels the export bonus enjoyed by the country with depreciated currency. Hitherto our valuation procedure has ignored the possibility of rising costs offsetting exchange advantage. The interdepartmental committee recommended that in future value for duty purposes in such cases should be revised from time to time through a somewhat complicated mathematical formula based on the wholesale price index and exchange rates. It would, I think, be more exact to include labour costs and interest costs as well as raw material costs, in computing the cost of production side of the picture though it is obviously more difficult to obtain exact and up-to-date figures on these points.

It was decided to reply at some length in a formal note to the representations made through the Japanese Legation here. The first draft proposed the adoption both for regular and for special duty purposes of a valuation of the yen at 41.6. Discussion in Council, however, revealed considerable difference of opinion, and it was finally decided to confine the note to an analysis of the general Japanese argument, concluding with a request for information as to the changes since 1931 in the general level of prices of materials, labour costs and such overhead costs as interest on capital investment. I enclose a copy of the note,[1] which was delivered to the Japanese Chargé d'Affaires following a discussion with him on May 11th.

As regards method of further procedure, it is the Government's desire to act as far as possible through the Canadian Legation in Japan. I note from your telegram that important despatches were being sent by post on May 11th.

Yours sincerely,
O. D. SKELTON

898.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 13 Tokyo, May 15, 1935

CONFIDENTIAL. Your telegram No. 12 of the 14th May, trade relations. The material requested will be gathered and will be sent as soon as possible. The time has passed, in my opinion, when representations as to costs and such similar matters will have any value. If threatened measures are to be prevented or even deferred, positive concessions are now required. Message ends.

[1] Non reproduite. [1] Not printed.

899.

Le secrétaire d'État par intérim aux Affaires extérieures au ministre au Japon

Acting Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 13 Ottawa, May 16, 1935

CONFIDENTIAL. Trade relations. Your telegram No. 13. It is apparent from your statement that representations as to costs and similar matters will have no value that summary of our position in telegram No. 12 of May 14th was not sufficiently clear. We do not agree that excess of Canadian exports over imports is due to discriminatory action on the part of the Canadian Government. The following points have been emphasized to Japanese Legation here in reply to their Aide Mémoire and presumably communicated to their Government.

First, balance must be corrected by allowing for indirect trade, particularly importation of raw silk.

Second, decline in trade in recent years applies to Canadian exports to Japan even more than to imports from Japan. Canadian statistics indicate our exports declined from 1929 to 1934 by twenty-six million and Japan's exports by eight million.

Third, in period preceding currency disturbance and measures adopted to balance consequent exchange advantage, their imports also greatly exceeded exports.

Fourth, the real reason for excess in Canadian exports is they consist predominantly of raw materials for Japan's expanding industries, while Japanese chief exports such as silk goods, are luxury products and consequently severely affected by depression.

Fifth, we consider, in any case, bilateral balancing of commodity trade impracticable and undesirable and efforts to establish it would block restoration of world trade.

Next, as regards our exchange compensation duties, there is no discrimination in application as they apply to all foreign countries whose currency is substantially depreciated in relation to our own. The maintenance of such duties is clearly required to prevent otherwise unfair advantage accruing to exporters in countries with depreciated currencies. One point on which our policy requires further consideration is that we have not hitherto taken into account extent to which export advantage accruing from decline in rate of exchange may have been offset by rising costs of production in countries concerned. We have under consideration the question of making adjustment applicable to all such countries, taking latter factor into account. For this purpose it is imperative that we should have full details as to chief factors

in costs. Japanese Aide Mémoire contended exchange advantage offset by rapidly rising costs. Therefore we are merely requesting statistics bearing on this contention.

It would, of course, have serious result on Canadian exports as well as on future relations between the two countries if Japanese Government were to take discriminatory action against Canadian exports before meeting our contentions or furnishing materials requested, but we cannot believe Japanese Government would take the responsibility of singling out Canadian trade for special or retaliatory action while negotiations pending and essential information awaited. In this connection, reports of transfer of Japanese newsprint and other orders are being carefully considered.

Reference your telegram No. 14. You will see from above no ground for abolishing exchange dumping duty which is intended to offset artificial competitive advantage accruing to Japan and other countries with depreciated currency. As indicated, revision to make dumping duty conform more closely to all facts in situation is presently under consideration. The proportion of Japanese to Canadian sales would be difficult to arrange with Japanese Government and allocation of this total among the various commodities imported would raise serious domestic difficulties. We have hitherto avoided quantitative restrictions. It is essential, in any case, to find solution which will be applicable to all countries in the same position and not merely to Japan.

We should like to have, in addition to sending full material by mail, a cabled summary of cost factors as soon as possible to expedite definite proposals on our part. In view of conflicting reports as to concessions having been made by other countries with favourable balances, we should also like cabled report on this situation. Message ends.

900.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 15 Tokyo, May 20, 1935

CONFIDENTIAL. Your telegram No. 13 of the 16th May regarding trade relations. While understanding value of information requested by your telegram No. 12 of the 14th May, my telegram No. 13 of the 15th May was intended to convey that owing to present conviction of Japanese, arguments based on such information would not alter present apparent decision to take action unless some concessions are made. I reluctantly repeat this opinion.

I entirely agree to arguments mentioned in the first part of your telegram No. 13 of the 16th May; which have been already unofficially presented to the

Japanese Government and other influential organizations, but appear to make little impression.

Direct request for delay during consideration should, in my opinion, be made to Japanese Government; Canadian trade now being seriously injured because of uncertainty as to threatened restrictions.

Without doubt, proper course is to find solution applicable to all countries concerned and not to accede to special demand of Japan.

However, the immediate difficulty is effect of Japanese restrictions during the next few years and trade loss and other serious reactions in British Columbia.

Employment of vicious propaganda and totally inaccurate figures have created very strong anti-Canadian feeling here. The Japanese Government has permitted this so that influential organizations have become convinced that Japan has been singled out by Canada for harsh treatment and are consequently demanding as a matter of principle abolition of dumping duty. On these terms they are willing to negotiate an agreement on some basis of export limitations taking into consideration protection of industries of Dominion. If Japan is to be given special treatment, the plan submitted in my telegram of the 16th May, No. 14, while not ideal, is workable as regards restriction of Japanese exports.

I had interview with the Foreign Office on October 17th, by official request, and advised you of this in my despatches No. 292 and No. 320. Subsequently, Foreign Office has repeatedly invited reply to their representations of that date. I have been unable to answer without instructions. Therefore, we are much embarrassed at this Legation. I would request authority to make representations, approved by you, to Japanese Government.

The other information desired will be sent as soon as possible by telegraph and by mail. Message ends.

901.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon

Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 16 Ottawa, May 23, 1935

CONFIDENTIAL. Your telegram of 20th May, No. 15. Trade relations. Like previous communications, this telegram has been very helpful in enabling us to appreciate situation.

Of course, we are anxious to maintain and improve our trade relations with Japan. We realize the importance of Japanese market for wide range of Canadian exports and the difficulties which would result from any official

or unofficial barriers on entry. We are willing to make any concession that is shown to be fair and warranted by the facts but we cannot allow a policy of threats and propaganda based on erroneous information to force us into making wholly uncalled-for concessions to Japan. Owing to the present uncertainty of world exchange relations we must retain our right to levy compensating duties to prevent the disorganization resulting from the artificial competitive advantage accruing to countries with depreciated exchange, and we cannot waive this right in favour of Japan alone. This is particularly true as Canada is one of the comparatively few countries which has hitherto not adopted any system of quota restriction or exchange control.

You will please make the following representations to the Japanese Government:

1. Indicate our desire for the maintenance and development of trade relations.

2. State that we have given careful consideration to complaint against ratio of exports to imports and Japanese claim that excess of Canadian exports is due to discriminatory action against Japanese goods by Canada.

3. Show that in fact disparity is less than contended when account is taken of indirect imports, that since 1929 decline in our total exports is greater than theirs and that so far as disparity exists it is mainly due to the fact that Japanese imports are largely of raw materials or semi-manufactured goods useful for Japanese expanding industries, while former main Japanese export, silk, has been affected by depression and competition of other textiles.

4. Indicate that disparity cannot be charged to exchange compensation duty since it existed for years before duty was applied or exchange fell.

5. You might reply that exchange compensation policy is not applied to Japanese goods alone and is a necessary safeguard against present and possible future fluctuations in exchange relations with other countries.

6. You might add, however, that we have already indicated that in so far as rising costs of production may have offset competitive advantages of falling exchange, the Government of Canada is fully prepared to consider appropriate revision.

7. Indicate that therefore we hope the data which the Government of Canada on the 11th May requested the Japanese Legation in Ottawa to obtain can be furnished as soon as possible.

8. You should finally express our regret that erroneous statements appearing in Japanese press as to facts of trade and alleged discriminatory policy of Canadian Government are making satisfactory adjustment more difficult.

If there are any points in above which are not clear, please communicate at once. Message ends.

902.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

DESPATCH 138 Tokyo, June 1, 1935

Sir,

Attached hereto you will find a clipping from the "Japan Times" of yesterday, Friday May 31st to which I have the honour of directing your attention as well as an editorial from the same newspaper.

In the first item you will note that Mr. Saburo Kurusu, chief of the Trade Bureau of the Foreign Office makes the statement, "Furthermore, when the Canadian Government proposed negotiations through Minister Herbert Marler and the Minister called at the Foreign Office, he took an attitude of making counter-attacks on Japan, and thus the Japanese Government found that Canada had no sincerity to settle the matter by peaceful diplomatic negotiations."

This, of course, is in the character of the attack that is inserted with the full knowledge of the Foreign Office. To say it is totally and absolutely untrue is to employ most moderate terms. No one has been more conciliatory or more patient with the Japanese Government, the Japanese press and the people of this country than I have been and this applies particularly since last October. Indeed looking back on the past six months I sometimes think I have been too conciliatory.

The editorial also gives you the unfair viewpoint taken in this country and of course emphasizes the address of the Minister of Trade and Commerce at Hamilton on the 27th of May last. It is most unfair from a cabled account to take a few words out of an address without considering the context.

As matters now stand I would deprecate any settlement even if it is possible to make one. I do not want to use too expressive terms. Japan to my way of thinking is acting the part of a bully, a part she is not acting towards the United States of America or Germany. If we now give way we will be held up as giving way to this aggressive and bullying attitude of Japan, an attitude she is adopting in respect to everything she desires to achieve and without regard to Treaty rights existing. I deeply regret to have to employ these terms. If on the other hand we stand firm and tell the world that we intend to make no special exceptions for Japan but will treat the world alike, while we may lose a few million dollars of trade for a few years we will retain our respect and will gain from every small nation in the world its gratitude and additional respect.

In this matter I am expressing the opinion of every one of your officers at this Legation. We all feel that whatever the policy of the Government may be that we should support that policy to the very fullest extent and hence we express the opinion above given.

I have etc.

H. M. MARLER

903.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 21 Tokyo, June 4, 1935

IMMEDIATE. SECRET. Referring to Dr. Skelton's letter and enclosures of the 14th May in regard to trade relations. The situation is most serious. The Japanese Government, in the opinion of your officers here, may institute action against Canadian goods before furnishing particulars requested in our aide mémoire. A definite and immediate proposal from Canada might stop such action. I earnestly request permission to approach the Government of Japan with the following suggestions in approximately these terms. Begins.

In view of conflicting views that have been expressed in our recent discussions of trade between Canada and Japan; and also in view of value of that trade to both countries; recognising that problems presented by fluctuation of exchange, rising tariffs and varying costs of production, must be solved if international trade is to regain its former proportion; and finally recognising that these problems can only be solved to the satisfaction of both sides by a serious effort on the part of each to appreciate the requirements of the other, I am instructed by my Government to propose that official representatives be appointed by the Government of Canada and the Japanese Government to consider the whole question of mutual trade in detail, and in particular to consider fully terms of a Trade Agreement which shall take the place of Treaty of Commerce and Navigation between Great Britain and Japan to which Canada acceded in 1913. Further, I am instructed to add that His Majesty's Government in Canada is prepared to appoint immediately representatives to proceed to Tokyo for the purpose of such negotiations; Canadian Government hopes the Government of Japan will be prepared to appoint a delegation of similar quality to the end that negotiations may be facilitated and a favourable solution of all difficulties discovered with the least possible delay. Ends.

I believe the Japanese Government could only reply to such a communication by acceding to our proposal and by postponing overt action that is now threatened. Any other procedure would stigmatise them as unreasonable and aggressive. Moreover, this proposal can be made, in my opinion, without detriment to Canadian prestige. Its only alternative is surrendering or a trade war.

Foregoing proposal is submitted only on the assumption that His Majesty's Government in Canada is prepared to enter conference with intention of taking such actions as will increase Japan's sales to Canada. Any other intention would lay us open to charge of insincerity, and would merely result in postponement and intensifying of hostile action. If Canada is to retain present trade with this country some concessions must be made. These concessions might have to include modification or abolition of exchange

dumping duty but this may be coupled with limitation on exports from Japan of such goods competing with Canadian industries. They would probably require extension to Japan of favourable rates on specified and mutually agreeable commodities.

Not only does this proposal offer only hope of averting very serious developments, but it will require to be acted upon immediately if it is to be of any value. I strongly urge that authority requested above be granted at the earliest possible moment. Message ends.

904.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 22 Ottawa, June 11, 1935

SECRET. Your telegram of the 4th June, Secret, No. 21. We do not think that negotiations looking to the conclusion of a new commercial agreement could be usefully entered on at this juncture in view of the character and terms of trade between Canada and Japan and of the fact that there is already a comprehensive Treaty of Commerce in force between the two countries. We could not consider downward revision of ordinary duties now applicable to Japanese imports which in many instances are already much lower than rates of duty on similar goods in tariffs of other countries. Indeed the knowledge that we are examining the present basis upon which the yen is valued for customs purposes has caused widespread apprehension in industrial circles and has led to the submission of representations from many quarters that no modification should be made in the customs treatment of Japanese goods in view of the low wage rates in Japanese industry. In these circumstances you should not raise question of general commercial negotiations nor give any encouragement to such a proposal if it should be put forward by the Japanese authorities.

2. As was stated in the last two paragraphs of our note of the 11th May to the Japanese Chargé d'Affaires at Ottawa, we have been studying carefully in the light of available information, the extent to which the recorded rise in wholesale prices in Japan and other countries may be regarded as offsetting the undoubted export bonus resulting from the depreciation of their respective currencies and therefore as making it possible to introduce some appropriate modification of the customs treatment to which imports are now subject from such countries.

3. We have come to the conclusion, as a result of these enquiries and as regards Japan in the present instance, that it will be practicable to modify the present customs treatment of the yen in the following way:

(*a*) Goods the produce or manufacture of Japan—not of a class or kind made in Canada—would be entered for customs purposes at the cur-

rent rate exchange which is presently 28.21 cents as against the proclaimed rate of 49.85 cents. Such goods in which are included much the larger part of our imports from Japan would, when subject to duty, be valued for duty at the current rate of exchange and would be subject to sales tax and to the special excise of 3 p.c. on a duty paid value computed at that rate.

(b) Goods the produce or manufacture of Japan of a class or kind made in Canada would be entered for purposes of ordinary duty at the present proclaimed rate of 49.85 cents but for special duty purposes the value of the yen would be proclaimed at a provisional rate—effective for an initial period of six months—adjusted in accordance with data presently available to allow for the rise in the Bank of Japan index number of wholesale prices since the beginning of 1932 when, as a result of the depreciation of the yen special duty became applicable to imports from Japan. Such procedure which is that applied to imports from the United Kingdom in 1931 and 1932 when the pound sterling was depreciated in terms of the Canadian dollar would result in the valuation of the yen for ordinary duty at the present proclaimed rate of 49.85 cents and for special duty at the rate of 41.51 cents. The rate of special duty per yen, in the calculation of special duty on imports from Japan of a class or kind made in Canada, would be reduced from 21.64 cents to 13.30 cents—a reduction of 38 p.c.

4. You are hereby authorized to inform the Japanese authorities that the Government of Canada are prepared to give early effect by Order-in-Council to the modification in the customs treatment of Japanese goods as outlined in the preceding paragraph. You should, in making your representations to the Japanese authorities, review position correcting misapprehensions as to actual balance of trade and reasons for such difference as exists, as excellently summarized in your despatch No. 123 of the 23rd May. It should also be made clear to the Japanese authorities that Canada has not discriminated against Japan and cannot on the other hand discriminate against other countries in favour of Japan. Such modification of our exchange compensation duties that may be made will apply to all countries with depreciated currencies. You should emphasize that anti-dumping duties have been a feature of Canadian tariffs for nearly thirty years, and that the present exchange compensation dumping duties were established before Japan left the gold standard and were in fact first applied to goods from Great Britain, so that assumption of special action against Japan is wholly without foundation. Similarly you should indicate that we are confident that Japan would not consider discrimination against Canada which is only one of several countries with favourable balance of trade. In doing so you should make it entirely clear to the Japanese authorities that before taking action along the lines indicated we shall be glad to receive an assurance from the Japanese Government that they are prepared to maintain toward Canadian goods that principle of equality of treatment which has for so long been the basis of commercial relations between us. Message ends.

905.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 25 Tokyo, June 14, 1935

My despatch of the 1st June, No. 138 should be disregarded.

906.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 26 Tokyo, June 17, 1935

SECRET. Trade relations. Reply of Japanese Government to Canadian Government's representations was received on June 12th.

Part 1. The Japanese Government:

(*a*) Acknowledge that indirect imports decrease the adverse trade balance but claim such balance is still enormous.

(*b*) Does not demand exact balancing of exports and imports.

(*c*) Insist that the real causes of commerce not being better balanced are due to Canadian measures and methods of their application and in particular to ordinary dumping duty, special exchange dumping duty, arbitrary mode of valuation under Customs Tariff, Article 43.

(*d*) Declare in positive terms that Canada does not enforce exchange compensation duty with equal fairness against all countries having depreciated currencies.

(*e*) Give illustrations purporting to show that duty-paid prices of Japanese goods in Canada are far more than factory cost of same goods in the Dominion.

(*f*) That classification of goods is effected in an extremely arbitrary manner and that valuation under Article 43 especially onerous.

(*g*) That if not in law Japanese goods, in fact, suffer from discrimination of treatment as compared with those of few other countries against which dumping duty is applied.

(*h*) That in reference to your memorandum to Japanese Chargé d'Affaires of May 11th, Japanese tariff is low compared with Canadian Intermediate Tariff rates, but in any case most-favoured-nation treatment which Japan by tariff schedule is supposed to enjoy in Canada is denied by special enactments referred to in (c) above.

(*i*) Submits statement as to wholesale prices and indexes as to costs in respect to chief exports, but not specific information as to rising costs of production as required by our representations.

(*j*) Ignores our reference to unfair press propaganda.

Part 2.

Referring to your memorandum to Japanese Chargé d'Affaires of the 11th May, Japanese Government in conciliatory terms agree with Canadian Government that revival of international trade which is essential to international peace cannot be attained either by artificial plans exactly equalizing trade balance or by imposition of artificial measures designed to check world economic recovery, and views with satisfaction intention of your Government to modify its emergency measures which were established with a view to maintaining Canada's competitive position during initial stages of exchange fluctuations. In this belief it earnestly desires that His Majesty's Government in Canada will soon carry into practice following:

(1) That dutiable value of Japanese goods be based on actual exchange quotations.

(2) That in so far as it applies to Japan exchange dumping duty be abolished.

(3) That Article 43 and paragraph 1, Article 6, Canadian Customs Tariff be not applied to Japanese goods subject to discussion on proper adjustment of Japanese exports which may seriously affect Canadian staple industries.

(4) That amount of customs duties and customs procedure be clarified and published in advance.

(5) That after carrying above items into practice no action should be taken by way of raising tariffs or restricting imports.

Part 3.

Considering reply summarised in Part 1 and Part 2 in the light of your telegram No. 22 of the 11th June, and of all other factors, I submit following commentary on numbered paragraphs of Part 2 preceding:

(1) This is answered by Section 3 (a) and (b) of your telegram No. 22 of the 11th June.

(2) This is answered by Section 3(b) of your telegram.

It is my belief that Japanese Government does not expect complete abolition. They much prefer complete abolition and if so agreed to will restrict or even prohibit export from Japan of goods of class which will compete with staple industries of Canada. But if total abolishment is not possible, then I believe they would be satisfied with a valuation of yen somewhere between 35 and 39, also with restrictions as to exports but not so prohibitive as with entire abolition. In respect of modifications in valuation of yen, taking into consideration rise in costs, Japanese Government assert that no accurate

figures as to extent of rise in costs is possible when all commodities are together taken into consideration and it cannot accept any general figure arrived at. It contends rise in costs can be correctly measured and hence applied only by considering commodities in related groups. It is ready to give consideration to these assertions but not to a general index figure.

(3) This is one of main causes of complaint, particularly in regard to valuation, but in this respect approaches of Japanese authorities are conciliatory. Japanese authorities are quite prepared to agree to valuations properly established in Japan to satisfaction of this Legation—invoices to bear its stamp—and claim similar arrangement is accepted by United States. With regard to competition arising from entry of Japanese goods into Canadian ports they are prepared to discuss their prohibition or restrictive steps as above explained.

Solution of difficulty, in my opinion, might be found if, combined with prohibition or with restriction, as described in (2), Canadian Government would be willing to name a range of Japanese goods in respect to which importation would be allowed under ordinary tariff conditions and entry which would not injure staple Canadian industries. Japanese Government has stated frequently that it does not want to interfere with staple Canadian industries but insist on an equal opportunity to furnish material imported by Dominion from foreign countries, with the exception of the British Empire. I am aware that you are opposed to a new Treaty and none has been suggested. I consider that an agreement similar to our immigration agreement would be sufficient.

(4) It should be possible in this respect to satisfy the Japanese Government.

(5) This proposal has been made due to misunderstanding by Japanese of manner in which our laws are enacted. I think fears of Japanese authorities concerning this point could be readily allayed if other matters were adjusted.

Part 4.

As Japanese Government's reply was received almost simultaneously with your telegram No. 22, the representations instructed in the latter were deferred until reply could be translated, analysed and reported to you. Your further instructions are now requested as to whether I shall make identical representations indicated in your telegram No. 22 or do you desire to amend or to supplement such instructions in view of information herein contained.

An early answer is really essential. Public and official opinion at the present moment appears slightly more conciliatory but this does not mean situation is not serious. Procedure is now being advanced so that in due course measures may be taken immediately. In the meantime our trade over a wide range of commodities is being seriously impaired owing to uncertainty.

I should add that all possible arguments have been made in many directions endeavouring to explain away what Japan conceives to be unreasonable disparity and discrimination but no success whatever has been achieved. I believe that further representations along these lines will do more harm than

good as they will only excite replies and thus add to present feeling that has been most unfairly engendered against us. The Japanese are determined to widen their markets and hence as part of that programme demand that Canada take additional goods, but as indicated are ready to discuss what those goods should be. They intend, failing an agreement, to take measures to prevent imports of our goods. These measures are likely to be gradual but that will not eliminate serious factor of uncertainty. There is no doubt that they have all classes of public opinion with them. End of telegram.

907.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

TELEGRAM 27 Ottawa, July 5, 1935

MOST IMMEDIATE. Your telegrams Nos. 26 of June 17th and 27 of June 26th, and despatches Nos. 133 to 148.

1. Realize force of your views respecting disparity and alleged discrimination. It seems essential, however, as part of our reply, to place our position on these matters clearly on record.

2. I should appreciate, therefore, if you would at once reply to the Japanese Note of June 12th along the following lines:

> The Canadian Government have noted with surprise that Canada has been made the object of official and public protests of special force because of the proportion of exports to imports in its trade with Japan. It seems desirable, therefore, to review the position, in order to make it clear whether or not any undue disparity exists between exports and imports and whether or not any policies of the Canadian Government can be held to be responsible for such disparity as exists and to involve discrimination against Japanese products.

3. Following above introductory paragraph recapitulate briefly position respecting disparity in your "aide-mémoire" of May 27th noting Japanese in agreement regarding indirect shipments and emphasizing that:

> disequilibrium between imports and exports is normal condition in international trade;
>
> it has been feature of trade between Canada and Japan throughout whole period of their commercial intercourse;
>
> it is not exceptionally large as compared with many other countries trading with Japan, as indicated in your Memorial to Canada Japan Society;
>
> it is due mainly to character of goods exchanged—raw materials and foodstuffs versus finished luxury goods;
>
> decrease in Canadian exports since 1929 has been approximately as great as in Japanese exports to Canada.

4. Respecting alleged discrimination make clear no measures whatever have been, or are, applied to Japanese goods alone. Recapitulate position as to no discrimination in rates. Next take up ordinary dumping duty, pointing out provision has been in tariff since 1904. Duty designed to prevent destruction Canadian industries by sporadic importations of surplus stocks at unduly depressed prices. By levying anti-dumping duty only when and in proportion as goods are dumped in Canada at prices lower than those charged in the country of export, it is found possible to maintain rates of duty on ordinary occasions at moderate levels. Dumping duty applicable to imports from any country and recognized as compatible with most favoured nation treatment. No discrimination practiced against Japan. Experience has convinced the Canadian Government of the necessity and the fairness of this flexible procedure.

5. Explain method of application of anti-dumping provisions to compensate for exchange depreciation, pointing out that provision first made in Canadian tariff in 1931 and, so far from having been devised or applied solely against Japanese goods, was established before Japan abandoned the gold standard and was first applied to imports from the United Kingdom. Incorporate paragraph 2 my cypher telegram No. 22 June 11th, adding that it has now been found practicable to reach a conclusion which will be detailed later in Note.

6. Next incorporate information in my telegram No. 23 of June 20th substituting "values are not proclaimed" in place of "values have never been proclaimed" and adding that for sake of symmetry currencies will be proclaimed as soon as necessary information respecting parities is available.

7. As regards the further contention, that dumping duty not actually levied in the case of some countries to which it has been made applicable, state that this is misapprehension. Law is applied without exception.

8. Point out that valuations under Section 43 of the Customs Act have been in force for several years and cover only narrow range of commodities, the importations of which were injuriously affecting certain Canadian industries or agricultural groups. They are based on cost of production of similar articles in Canada plus, in some cases, reasonable margin of profit for Canadian producers. Not directed specially against Japan or any other country being applicable to all foreign countries and covering for most part classes of goods which are not of importance in Japanese export trade. Of the thirty-five commodities or groups on which fixed valuations for duty are in force not more than eight or nine can be regarded as important export products of Japan. Moreover, a number of these were not exported to Canada in substantial quantities from Japan before the Customs valuations were established and one of them, namely, canned salmon not at all. In almost every case some foreign country other than Japan is main source of supply.

9. Indicate Canadian Government not clear as to observations respecting need for clarification in duties, procedure, etc., pointing out that rates of duty and provisions governing Customs treatment are set forth in public statutes, namely, the Customs Tariff and the Customs Act. Administrative regulations necessary in every country for detailed application of rates of duty,

etc., are also published either in form of Orders-in-Council or as Departmental decisions. In country so large as Canada and one in which, for the convenience of the import trade, Customs houses are maintained at many small and isolated ports of entry it may occasionally happen that local officials have difficulty in interpreting law and regulations. Every effort, however, is made to administer law as uniformly as possible.

10. Then consider five specific Japanese requests, dealing first with two concluding requests which are of more general character than others. Point out with respect to clarification of Customs duty and procedure that Canadian Government desirous of considering any proposal to increase smooth working of Customs system and if Japanese Government could give detailed information respecting any concrete cases of arbitrary or discriminatory treatment arising from administration of Customs regulations, immediate inquiry will be made and, if complaints are substantiated, measures will be taken to make any necessary adjustment and to prevent similar cases arising in future.

11. With respect to concluding proposal assume it would be on reciprocal basis but indicate that this is not explicitly stated. Add "In general, I may say that I am confident that neither country would desire to take any action involving discrimination against the exports of the other. For either country, however, to enter into an undertaking not to increase duties or alter procedure would mean limiting its scope of action in relation to third countries at a time when rapid changes in commercial practices and governmental policies may call for action. I can assure you that if at any time your Government have ground for complaint against any Canadian policy, the Canadian Government will have pleasure in giving the representations immediate attention, as I am sure would be the case if the Government of Canada found ground for complaint. These are, however, hypothetical situations which I trust will not arise".

12. In dealing with first three proposals emphasize no discrimination against Japanese goods and consequently no ground for adopting special procedure. To exempt Japan would involve serious discrimination against other countries. Proposal, which we recognize has been put forward with the object of reaching friendly solution of existing difficulties, that some special system of restriction of Japanese imports affecting basic industries of Canada should be worked out in consultation with Japanese Government, would raise serious administrative difficulties. Canada, unlike many other customers of Japan, has hitherto abstained from adopting any system of quotas, or similar devices, and desires to avoid adopting them either as general policy or as regards particular country unless forced to do so by action of another Government.

13. Point out that any substantial ground of complaint can be met in other ways. Here refer back to paragraph 5 and incorporate (with such modification as is necessary to prevent redundancy and to bring into harmony with other parts of this telegram) paragraph 3 of my telegram No. 22 of June 11th.

14. Canadian Government prepared to proceed at once with tariff modifications above indicated. It would be extremely embarrassing, however, in view of publicity which has been given in recent months to tariff relations between Canada and Japan, to find, on making such modifications, that Canadian trade or commodities of particular interest to Canada, should be adversely affected on importation into Japan. Canadian Government would greatly appreciate, therefore, an assurance that Japanese Government, following the application of the modifications above indicated, would be prepared to maintain toward Canadian goods that principle of equality of treatment which has for so long formed the basis of the commercial relations between our two countries.

15. Conclude by calling attention to fact that "press reports in Japan, purporting to be based on official information, and foreshadowing the imminent imposition of discriminatory duties upon Canadian goods, have had a serious effect on Canadian exports, unsettling trade and in several cases leading to the cancellation of contracts. I am aware that these reports do not represent the policy of your Government, but I call attention to them as constituting one factor which tends to make a solution of the present position unnecessarily difficult".

908.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

TELEGRAM 28 Ottawa, July 5, 1935

IMMEDIATE. My telegram No. 27 July 5th. Delete second sentence in paragraph 14. Amend third sentence to read "I should appreciate an assurance that, following the application of the modifications above indicated, Canadian trade or commodities of particular interest to Canada would not be adversely affected and that your Government would be prepared etc." Paragraph 15 substitute "a factor" for "one factor".

909.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 33 Tokyo, July 12, 1935

IMMEDIATE. For Dr. Skelton. Your telegram of the 11th July. Following is substance of reply of Japanese Government:

1. The Japanese Government, agreeing with Great Britain that exchange dumping duty is a violation of most-favoured-nation principle, will not agree to its continuance.

2. Japan will voluntarily control exports of goods produced by staple Canadian industries if this duty is abolished, such goods to be mutually agreed upon.

3. Japan also desires to negotiate as to valuation to be imposed upon certain other articles of export.

4. The Japanese Government declare that public opinion will not allow "much further delay" in application of restrictive measures against Canadian trade, but these measures will be discontinued if acceptable agreement is reached later. Ends.

910.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 32 Ottawa, July 12, 1935

MOST IMMEDIATE. Your telegram of the 12th July, No. 33. I expect to see Japanese Minister here on Saturday. Would appreciate receiving Saturday morning any views you may have been able to form respecting impression made by our recent note on Japanese Government and particularly whether they have declined to consider our proposed modification of value of yen for dumping duty as satisfactory insisting on complete abolition of exchange dumping duty. Kindly add any other important feature of Japanese reply in addition to those outlined in your telegram, if any, which we should have for consideration before seeing Japanese Minister tomorrow.

911.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 34 Tokyo, July 13, 1935

IMMEDIATE. Your telegram No. 32 of the 12th July. The complete reply of the Japanese Government will not be available until Monday, but we are assured that it will not contain anything of greater importance than conclusion upon which my telegram No. 33 was based.

The general arguments contained in our note made no impression. Special concessions impressed on Japanese Government to the extent that we have given active consideration to matter. Japanese Government will not accept special concession proposed by us as to valuation of yen in respect of exchange dumping duty. They may be willing to agree to a lower rate but as to this I am not as confident as I was some time ago. Any substantial lowering of valuation, in my opinion, without strict control of Japanese exports might involve greater dangers our industries than complete abolition combined with strict

control. Further reduction might be accepted but with reluctance; abolition is what the Japanese desire for the sake of principle and in respect to Canadian trade and for influence on relations with other countries. Abolition, especially at the present moment when there is much anxiety as to export trade, would certainly be regarded as most friendly gesture and would enable us to retain our present trade and I believe permit us to arrange favourable restrictions as to goods to be exported from Japan. Also it is suggested that abolition might make it possible for the Japanese Government to view with special favour the extension of our trade in some commodities such as paper.

The attitude of the Government of Japan is conciliatory but firm in respect of dumping duty as a matter of principle. The Japanese Government are supported by public opinion and leading exporters and importers are united in support of restrictive measures. Message ends.

912.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 35 Tokyo, July 17, 1935

Your telegram No. 33 of the 16th July. Complete reply of Japanese Government has now been received but it does not alter conclusions set forth in my telegrams Nos. 33 and 34. Japanese emphasize that Canada is treating Japan far more partially than is Australia or United States of America. Special emphasis is again placed on system of control of exports by Japanese themselves which they claim can be arranged so as to prevent any injury to any important Canadian industry by acceptance of proposals made in their note of the 12th June.

The Japanese Government informs me that restrictions will most likely be applied next week and Kato has been fully informed thereon. Ends.

913.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

TELEGRAM 34 Ottawa, July 18, 1935

MOST IMMEDIATE. Your telegram No. 35 of 17th July. We have examined your summaries of Japanese reply to our recent communication. You should immediately make representations to Japanese Government on following lines:

1. The Canadian Government have noted with profound surprise and regret that Japanese Government are not prepared to accept as solution the far-reaching revision of valuation for duty purposes outlined in recent telegrams and are taking steps to impose surtax next week on imports from Canada.

2. We have demonstrated conclusively that Canada is practising no discrimination against Japanese goods. We have indicated that while we consider exchange compensation duty an essential and entirely fair method of balancing competitive advantage accruing to countries with relatively depreciated currencies, we have come to conclusion that in determining amount of this duty account should be taken of rise in relative price levels of exporting countries. For this purpose we indicated our intention to value depreciated foreign currencies on an objective and scientific basis, taking into account not only variations in exchange rates but relative changes in price levels in Canada and each other country concerned. We had proposed, in the case of goods of a class or kind made in Canada, to adopt this new basis for calculating exchange compensation duty while continuing to use the proclaimed value for calculating ordinary duty. In the case of Japan this would have meant the yen would be valued at 41.5 cents for exchange compensation duty and 49.85 cents for ordinary duty. After further inquiry we have concluded to adopt this new basis for both exchange compensation and ordinary duty which means, in the case of Japan, 41.5 cents for both, and to apply it to all goods, whether of a class or kind made in Canada or not.

3. We gather from your summary that Japanese Government consider our former proposals inadequate and press for complete abolition of exchange compensation duty on Japanese goods. As regards reference to British criticism of exchange compensation duty, the Japanese Government are incorrectly informed if they contend that His Majesty's Government in the United Kingdom raised objection to Canada's imposition of exchange dumping duty on British goods as a violation of most-favoured-nation principle. Great Britain has never so contended. Nor have any of the other countries with which Canada has treaties conferring most-favoured-nation rights ever held that our exchange dumping duty is incompatible with such rights. Exchange dumping duty is applied to all countries whose currencies are depreciated by more than five per cent. An Order-in-Council effective July 13th made dumping duty applicable to those countries where, because of the reasons indicated in our telegram No. 23, proclamation thereof had not earlier been made.

4. The United Kingdom Government did not object to the application of exchange dumping duty to British goods. They argued that to levy ordinary duty at the par value of the pound and exchange dumping duty at a rate equivalent to the difference between the par value and the current exchange value did not make allowance for the increase in the level of prices in Britain as a result of currency depreciation. When it was established that prices had, in fact, increased as a result of depreciation a compensatory adjustment in the exchange dumping duty was put into effect. This is precisely the arrangement that the Canadian Government are now endeavouring to make in regard to Japanese goods.

(If the reference is to British controversy with France, British objection in that case was to fact that exchange surtax was levied on British goods and not on goods of competing countries with depreciated exchange).

5. We gather that Japanese Government repeat suggestion contained in its Note of June 12th that if Japanese goods are exempted from (1) dumping duty, (2) exchange compensation duty, and (3) fixed valuation and if assessment for duty on Japanese goods is made at current rate of exchange Japan will have no objection to initiating consultation as to measures of control of exports of goods seriously affecting basic industries of Canada. We have already indicated impossibility of changing our whole tariff structure in the case of Japanese products alone. All laws and regulations to which objection is now taken were in force and applied to other countries before Japan went off the gold standard. To make a change applicable to Japan alone would involve discrimination against other countries. On the other hand to attempt to work out with each foreign country separately a system of control to take the place of our established system applicable to all countries would be difficult and in fact impossible.

6. As regards fixed valuations, it is the policy of the Canadian Government to revise valuations from time to time as conditions warrant, and in such revisions full consideration will be given to costs and market prices in Canada. The Canadian Government will be prepared to consider at any time specific representations from Japanese Government regarding any valuation affecting Japanese products, though it would not be possible to discuss such points if in meantime discriminatory surtaxes were imposed on Canadian goods.

7. The Canadian Government are reluctant to believe Japanese Government would apply a surtax of fifty per cent ad valorem, in addition to present rates of duty, on Canadian goods only and desire to emphasize the fact that the application of such a surtax would unquestionably be a direct and flagrant contravention of Article 7 of the Treaty of Commerce and Navigation between Great Britain and Japan of April 3, 1911, to which Canada acceded on May 1, 1913. Such action would make the treaty voidable at our option, in which case General Tariff would become applicable to Japanese exports. We do not, as at present advised, intend to exercise this option, but propose to follow course outlined below.

8. The Canadian Government are taking steps to bring into force immediately revised basis of valuation of depreciated currencies for duty on the wide lines indicated above. This revised valuation will apply to Japan as well as to other countries in same position and will indicate readiness of Canadian Government to make any adjustment for which reasoned basis can be advanced. If in violation of the treaty the Japanese Government imposes a surtax on Canadian goods Canadian Government will then have no option but to apply to Japanese goods immediately thereafter, under Section 7 of our Customs Tariff, surtax of 33⅓ per cent therein provided. We would be forced to take this position with intense regret and trust that the Japanese Government will realize the fairness of the proposals we have made and the inadvisability in the interest of both countries and of general economic recovery of taking steps which would result in increasing trade restrictions on both sides.

914.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 38 Tokyo, July 19, 1935

IMMEDIATE. With reference to your telegram No. 34. Ordinance imposes surtaxes sanctioned by Emperor and come into force on July 20th. Goods in transit are not affected. After Emperor's sanction is given Government state promulgation cannot be delayed.

Government clearly desires to continue negotiations notwithstanding promulgation. Do you wish, in view of this desire, to omit anything or to alter instructions contained in your telegram No. 34 of the 18th July? Please reply by telegraph as soon as possible. Ends.

915.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 38 Ottawa, July 19, 1935

MOST IMMEDIATE. Just received your telegram No. 38 of the 19th July. Without fail make representations today on lines of instructions in telegram No. 34 without alteration or omission. Inform Government revised valuation rate 41.5 cents adopted yesterday also that if Japan imposes surtaxes Saturday Canada will impose surtaxes Monday. Cable goods and tariff items covered by surtax, also whether applied to Canada only. Ends.

916.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 40 Ottawa, July 22, 1935

IMMEDIATE. Our telegram of the 19th July, No. 38. An Order-in-Council imposing 33⅓ per cent *ad valorem* surtax on all imports from Japan was approved today. Order does not take effect until August fifth in order to exempt goods in transit. Issued brief statement Saturday indicating (first) Canadian Government had learned with regret of Japanese action, (second) stating that in discussion Canadian Government made it clear complaints of discrimination unfounded, (third) Japanese Government had been informed of

certain revisions of depreciated currency valuation which had been put into effect, (fourth) Canadian Government had indicated it could not accede to certain Japanese requests which would involve discrimination against other countries, including Great Britain, (fifth) Japanese Government had been informed Canada would consider imposition of surtax violation of Treaty and that Canadian Government would have no option but to apply its surtax under Section Seven of Customs Tariff to Japanese goods. The last two paragraphs of statement are being sent you in clear. Ends.

917.

Le sous-secrétaire d'État aux Affaires extérieures au ministre au Japon
Under-Secretary of State for External Affairs to Minister in Japan

SECRET AND CONFIDENTIAL Ottawa, July 23, 1935

My dear Sir Herbert,

Our endeavours to reach a peaceful solution of the trade dispute with Japan have failed for the present. The Government is firmly convinced that we have met any reasonable complaint raised by the Japanese authorities, and that the action of the Japanese Government in determining to apply the surtax to our goods is wholly unwarranted, and simply an endeavour to apply the 'big stick' to a country they considered in a particularly vulnerable position in order to facilitate similar demands in other directions. It is also apparent from conversations with Australian representatives that Japan has sought to bring strong pressure on the Commonwealth. Incidentally, as Australia's currency is depreciated 25 per cent below ours, the advantage which Japan enjoys in the Australian market through depreciated currency is less than in our case.

On Friday (July 19) the Japanese Minister stated that he had received urgent instructions from his Government to see the Prime Minister. He saw Mr. Bennett that afternoon, and stated that his Government had instructed him to say that they had been impressed by the Canadian representations, but that it was not possible, in view of the fact that the Emperor had approved the ordinance, to rescind it or prevent it going into effect on July 20th. The Government were, however, desirous of continuing negotiations and trusted that it would be possible to reach an agreement during the period allowed for the transit of goods. If such an agreement were reached, a new ordinance could be drafted to take the place of that of July 20th. The Prime Minister stated that we were prepared to continue the discussions, but could not do so under a one-sided embargo; that it had been necessary to pass a Canadian Order-in-Council imposing a surtax of 33⅓ per cent tax on Japanese goods, but that it also would provide for exempting goods from the surtax for a period sufficient to cover goods in transit.

The Prime Minister observed to me later that he was not sure whether it was the olive branch of our concessions on the valuation question, or the club

of our surtax that had led to the change of attitude on the part of the Japanese Government, though he leaned to the latter interpretation.

A lengthy statement of the Canadian case had been prepared, but was not given out. Instead the Prime Minister issued a brief statement to the press on the morning of July 20th, of which a copy is enclosed.[1]

Today Mr. Kato called, bringing a copy of the Japanese ordinance in English, of which I enclose a copy[2] for checking with the version which you will have received. He said he had been informed by his Government that under the circumstances they considered it was not necessary to argue further at this stage the abstract question of discrimination. They would make certain concrete proposals at an early date. He had no intimation of what they might be, though he was instructed to obtain further particulars as to the meaning and scope of the classification of "goods of a class or kind made in Canada". He added that he had also been informed that it was the purpose of his Government to send some Japanese experts familiar with the details of such questions, to Ottawa to assist in the further discussions with the Canadian Government. He had no information as to the probable date of their arrival. Obviously it will not be possible to complete the negotiations before the two surtaxes go into effect.

The Prime Minister has left town for a week's rest. I do not expect there will be any definite developments in the situation before his return.

Yours sincerely,

O. D. SKELTON

918.

Le sous-secrétaire d'État aux Affaires extérieures au ministre au Japon
Under-Secretary of State for External Affairs to Minister in Japan

Ottawa, August 17, 1935

My dear Sir Herbert,

JAPANESE TRADE RELATIONS

Since the application of the Japanese surtax and of the Canadian surtax in consequence, the Prime Minister has had a number of conversations with Mr. Kato, the new Minister of Japan.

Mr. Kato has made an excellent impression here on all whom he has met of confidence and straightforwardness.

Some two weeks ago Mr. Kato stated that his Government had informed him that they had noted with interest the change in the Canadian valuation

[1] Non reproduite. Un résumé se trouve au document précédent.
[2] Non reproduite.

[1] Not printed. A summary of this statement is given in the preceding document.
[2] Not printed.

rate; that they did not consider it desirable, under the existing circumstances, to continue discussion of the abstract question as to whether or not discrimination existed; that they desired to continue negotiations with a view to an amicable settlement; that they would make concrete proposals to this end; and that they proposed to send experts to Ottawa to assist the Minister in discussion. A few days later Mr. Kato stated that he had had further instructions from Tokyo to enquire whether the proposal to send experts to Ottawa was acceptable to the Canadian Government. In reply the Prime Minister stated he considered that the latter proposal was not expedient at the present time (his reasons for this decision were (1) that the proposal appeared an excuse for delay, and (2) that the acceptance of the proposal might appear to involve acceptance of the principles of the Japanese proposals, whatever they might be, leaving only details to be worked out). In an interview last week, he told the Minister that he was being put in a position of great difficulty because of insistent demands from the Province of British Columbia for the exclusion of Japanese from employment, cancellation of the Immigration Agreement, and for more strenuous measures against the 22,205 Japanese residents of British Columbia. This evidently produced quite an impression on Mr. Kato.

Yesterday Mr. Kato had a further interview with the Prime Minister. I enclose a copy of the aide-mémoire which he left on that occasion. He made it clear that this was only for purposes of informal discussion and was not to be considered an official statement. The proposals in their present form, as you will see, are quite unacceptable, but they do represent an advance in that they accept, in fact if not in principle, the retention of the exchange compensation duty, and propose a modification rather than abolition of fixed valuations, and drop the demand for abolition of dumping duty.

There has not yet been an opportunity for considering the proposals in detail and I shall advise you if any further action is taken.

Yours sincerely,

O. D. SKELTON

[PIÈCE JOINTE/ENCLOSURE]

Aide-mémoire du ministre du Japon au Premier ministre
Aide-Mémoire from Minister of Japan to Prime Minister

[Ottawa,] August 16, 1935

(1) Japanese goods (including those of a class or kind made in Canada on which the special duty under Subsection 1 or Subsection 9 of Section 6 of the Canadian Customs Tariff Act is imposed) be entered for purposes of ordinary duty at the actually current rate of exchange.

(2) The proclaimed rate for purposes of exchange compensation duty on Japanese goods of a class or kind made in Canada be less than $35 for $100,

as a preliminary figure towards the ultimate abolition in toto of exchange compensation surtax. (See Table of Wholesale Prices in Japan, compiled by the Department of Commerce and Industry—attached to my note No. 19, dated June 21, 1935.)

(3) The fixed value for purposes of special duty under Subsection (1), Section 6 of the Customs Tariff Act be so adjusted that the duty paid prices of certain Japanese goods entered under the said provision shall not exceed the tax paid prices computed in accordance with (2).

(4) Classes or kinds of goods made in Canada, on which special duties under Subsection 1 or Subsection 9 of Section 6 of the Customs Tariff Act are levied, be definitely limited. Further adjustments which may in future be suggested in view of moderating the above-mentioned duties be the subject of conversations with the Canadian Government.

(5) If the above four proposals be acceptable to the Canadian Government, the Japanese Government, taking due note of what is stated in pages 9 and 10 of the note of the Secretary of State for External Affairs, dated July 6, 1935, are prepared to take steps to cancel the Imperial Ordinance of July 21st. It is well understood that the Canadian Government will also cancel the Order-in-Council dated July 22nd, with regard to the surtax of 33⅓ per cent.

919.

Le secrétaire d'État aux Affaires extérieures au ministre du Japon
Secretary of State for External Affairs to Minister of Japan

[Ottawa,] September 4, 1935

Sir,

I have the honour to refer to the representations which you conveyed to me by instruction of your Government on August 16th, 1935, regarding trade relations between Japan and Canada. The proposals made by your Government have received careful consideration by the Government of Canada.

The Government of Canada note with regret that these proposals indicate that there has been no essential change in the attitude of the Government of Japan in respect to the measures which the Government of Canada have been obliged to take to protect Canadian workers against the sale in Canada of goods produced under wage and currency depreciation conditions which, without such protective measures, would have made impossible fair trade and fair competition between Japan and Canada.

In my note of July 6, 1935, I dealt with each of the specific grounds on which it was contended by the Government of Japan that the Government of Canada were discriminating against Japanese imports, and endeavoured to make clear that such charges were wholly without justification. On the other hand, the Government of Canada have maintained, and continue to maintain that the Government of Japan by bringing Canada, only, within the terms of

Imperial Ordinance No. 208, 1935, and thereby imposing upon Canadian imports into Japan a surtax of 50% ad valorem in addition to the duties imposed by its customs tariff law discriminate against Canada contrary to the provisions of Article VII of the Treaty of Commerce and Navigation between the United Kingdom and Japan, to which Canada acceded on May 1, 1913, and which has since governed the commercial relations between Japan and Canada. You will recall that Article VII provides that Canadian products shall enjoy the lowest rates of customs duty applicable to similar articles of any other foreign country.

The unaltered attitude of the Government of Japan, as evidenced in your representations of August 16th, puts directly in issue the right of the Government of Canada to protect the wages of its workers and the standard of living of its people against the unfair competition of low cost labour paid in greatly depreciated currencies. The Government of Canada are unable to accept any compromise of the basic principle of fair competition which governs its commercial relations and upon the maintenance of which the welfare of Canada depends.

The Government of Japan have persisted in demanding a privileged position in the markets of Canada, which would involve flat discrimination by Canada against the other members of the British Commonwealth of Nations and against the foreign countries to which Canada had extended most-favoured-nation terms by treaty. The Government of Japan have failed to recognise in any way the very substantial concession accorded to imports from Japan by our reduction of the exchange compensation duty, which made full allowance for the extent to which the competitive advantage arising from the depreciation of Japanese exchange has been offset by the relative increase in the price level in Japan. It is therefore apparent that no good purpose will be served by mere restatement of the respective positions of the two Governments. The Government of Canada have therefore decided that unless the discriminatory action against Canada is discontinued they will be compelled to notify the Government of Japan that they consider the treaty null and void, in so far as it applies to Canada, by reason of the aforesaid discriminatory action of Japan, and to take such further action as may be required in the national interest.

The Government of Canada have resolved upon this course with profound regret. They have been zealous to maintain and extend Canadian trade relations with all countries, and in particular have aspired to make the association of Japan and Canada mutually profitable. The Government therefore earnestly hope that the Government of Japan may yet be persuaded of the justness of the position taken by the Government of Canada and will take steps to remove the discriminatory surtax imposed on Canadian goods and thereby make it possible to attain a friendly settlement of the present unfortunate controversy.

Accept etc.

R. B. BENNETT

920.

Le ministre du Japon au secrétaire d'État aux Affaires extérieures
Minister of Japan to Secretary of State for External Affairs

No. 28 Ottawa, October 8, 1935

Sir,

I have the honour, under instructions from my Government, to set forth hereunder their views with respect to the note which you handed to me on September 4th, 1935, and to the statement published by your Government on the 5th of that month:

1. Though the trade relations between Japan and Canada had been driven into an unfortunate state, my Government were convinced, from their experience in conducting similar negotiations with other countries that, if the two parties exchanged frank opinions and conferred in a fair and conciliatory spirit, it would surely be possible to attain an amicable settlement. Actuated by this conviction, my Government have, hitherto, submitted various proposals for a solution, but unfortunately these proposals have failed to receive the approval of your Government.

In the course of conversations on August 6th, you told me, as will be remembered, that, if any proposal was made by my Government, it should receive careful consideration. Accordingly, on August 16th, I handed to you, under instructions from my Government, certain concrete proposals in the expectation that negotiations would be commenced between the two Governments on the bases of these proposals. At that time, while explaining the difficulty of accepting some part of the proposals, you promised to give full consideration to the proposition. It was, therefore, natural for my Government to expect that some kind of counter-proposals would be forthcoming from your Government. But without any previous intimation you handed to me a note on September 4th declining the Japanese proposals and referring to the possible suspension of the application at Canada of the Treaty of Commerce and Navigation between the United Kingdom and Japan, and on the 5th your Government issued a statement which is liable to create a seriously wrong impression in the public mind concerning the intentions of the Japanese Government. They cannot but note this fact with deep regret.

Nevertheless, my Government, relying upon the statements repeatedly made by your Government in the past, would like to believe that the Canadian Government are still desirous, no less than the Japanese Government to continue negotiations in order to bring about a fair and amicable settlement of the question at issue.

2. Your Government emphasize in their note of September 4th the necessity of protecting wages and the standard of living in Canada. According to the trade returns of the Canadian Government for 1934, imports from Japan, excluding raw silk imported into Canada via the United States as material

necessary for Canadian industries, amount in value to no more than 0.7 per cent. of the total amount of Canadian imports. If, as a result of the modification by the Canadian Government of the "fixed value" of commodities and of the "proclaimed rate of exchange", the amount of Japanese imports into Canada were doubled, the value would be but 1.4 per cent.; if trebled, it would still be only about 2 per cent.

Moreover, as imports from Japan seem to be over-valued in the trade returns of the Canadian Government by approximately 70 per cent. through customs assessments, the actual percentage of Japanese imports to Canada must be far smaller than the above figures. Even if it is assumed that the above-mentioned direct imports from Japan entirely consist of finished articles, there can be no possible ground for apprehension that the importation of so insignificant an amount of Japanese goods might threaten Canadian workers and the standard of living in Canada. In this connection, it must be remembered that my Government, with consistent regard for the safeguarding on the part of Canada of her interests embodied in her basic industries and the persons employed therein, repeatedly proposed that, in respect of such Japanese exports as might be considered likely to affect them, Japan would be willing to adopt measures of voluntary control of exportation, similar to those which she is taking for the regulation of the export of certain articles to Great Britain, the United States, etc. This proposal, however, was declined by your Government.

Thereupon, as an alternative, my Government suggested a joint study by Japanese and Canadian experts on the spot, with a view to devising means to harmonize the interests of the import trade in Japanese goods with those of the Canadian basic industries concerned. This suggestion also was not accepted.

While declining all practical projects proposed by my Government for a settlement, the Canadian Government abruptly issued a statement which declares, without any reference whatever to those reasonable Japanese proposals, that the Japanese demands, if adopted, would "endanger and perhaps destroy the economic and social conditions" existing in Canada. The Japanese Government, who always rely upon the friendly spirit of the Canadian Government, find it difficult to comprehend the motive underlying the statement in question.

3. The Canadian Government in their note and statement quoted in the foregoing paragraph refer to the unfair competition exercised by countries having low wages and depreciated currencies. To begin with, if Japanese products are in a comparatively advantageous position in trade competition, it cannot but be admitted that this is in a considerable measure due to the rationalization of industries accomplished through many years of hard struggle and other legitimate efforts exerted in Japan. The fact is now fully and widely recognized. Besides, even if the protection of domestic industries against trade competition by foreign manufactures is called for, it is anything but fair to make importation practically impossible for an extensive range of

articles by the imposition of such exorbitant duties as are actually applied to Japanese goods in Canada. The Canadian system of the so-called "fair market value" as a means of maintaining fair competition, seems in its actual application to exceed all justifiable bounds, as the "value" determined in accordance with the system is in most cases unfair and arbitrarily high, exhibiting next to no relation whatever to the cost of production of the Canadian goods which are to be protected. In the circumstances, my Government have requested its due rectification.

4. The note dated September 4th of your Government states that Japan is demanding a privileged position in respect of Customs Duties in Canada, and maintains that acquiescence in the Japanese demand would involve discrimination against the other members of the British Commonwealth of Nations and other countries. But no demand was made by my Government that Japanese goods alone should be treated more favourably than the commodities of third countries. In view of the fact that the actual treatment of Japanese products by Canada is markedly more onerous in comparison with that accorded to the merchandise of any other country and is manifestly wanting in fairness, my Government are simply requesting a reasonable adjustment of the inequitable state of affairs. To be more precise—

(*a*) Hitherto the term "class or kind" has been given unlimited scope for interpretation as far as Japanese articles are concerned. My Government, therefore, requested that the said scope be properly restricted and made explicit, thus eliminating the cause of unnecessary anxiety, and unforeseen loss to Japanese merchants.

(*b*) It is true that the Canadian Government, making allowance for the general rise in the price level in the countries concerned, have lowered the basis of the exchange compensation duty, in the case of Japanese goods, to $41.51. But the rate of this duty ought to be limited to the extent to which our products have actually been benefited by the decline in exchange. In a country like Japan, where the bulk of the materials for the manufacture of articles for export is purchased from abroad, the prices of such imports undergo a rise owing to the falling exchange, and this rise substantially countervails any advantage accruing from the depreciation of currency. It is only fair, therefore, that, in levying the compensation duty on Japanese goods, full consideration should be given to the increase in their export prices caused by the low exchange. My Government have consistently taken the view that the exchange compensation duty is in contravention of the most-favoured-nation clause. In spite of this conviction, however, I had the honour, under instructions from my Government, to inform you on August 16th that if, pending a fundamental adjustment, the Canadian Government would agree to reduce the basis of exchange compensation duties to a rate not higher than $35 in consideration of the average rise of export prices in Japan, the Japanese Government would refrain from making an issue of the matter at the present juncture. It must, however, be added that, even if the sug-

gested rate is adopted, silk textiles and cotton socks and stockings which are potentially important in our exports to Canada, will not be able to compete with similar Canadian articles.

(*c*) With regard to the articles covered by the "fixed value" of commodities, my Government proposed on August 16th that the said "value" should be lowered so that their invoice cost plus the dumping duty should not exceed the amount of the said invoice cost plus exchange compensation duty computed at the rate indicated in the preceding paragraph. In making the above new proposal, the Japanese Government had fully in mind the safeguarding of the interests of Canadian basic industries. In other words, as the two proposals, viz: for voluntary control on the part of Japan of her exports, and for joint study by experts of the two countries on the spot, which had previously been put forward by my Government, were declined, they formulated the above new proposal with the idea that the factory cost price of Canadian products be made the general standard of protection, and that the "fixed value" should not fall below that level. It may be pointed out in this connection that you told me on the above date that on the Canadian side also an adjustment had been under consideration, and that a suitable modification by some means was thought possible.

In short, I wish to ask that the Canadian Government should fully realize that my Government had never failed to take the industrial condition of Canada into full consideration.

My Government also suggested that Customs duties should be based on the actually prevailing rate of exchange. They submitted this suggestion because they believed that, as a similar proposal had previously been made by Canada herself with respect to articles free from dumping duties, she would have no particular difficulty in extending the above Canadian proposal also to articles in general, so long as the protection of Canadian products was otherwise provided for.

It may be specially observed that, in case the exchange compensation duty and the ordinary dumping duty are excessively high so far as the protection of Canadian industries is concerned, a reduction of these duties can, under the present legal system of Canada, be effected by administrative procedure without any modification of the law, and that such a reduction carried out within fair limits can by no means constitute any discrimination against Great Britain or any other third country.

5. The statement issued by your Government on September 5th observes that Japan demanded of Canada "an undertaking not to further increase her Customs duties or import restrictions in the future, against Japanese goods" and reads as if Japan sought to restrain the Customs autonomy of Canada. Nothing is farther from the thought of the Japanese Government. My Government only desired to make sure that Canada, after ameliorating her treatment of Japanese goods, would not introduce any fresh measures of restriction

which would tend to defeat the purpose of such amelioration. They believe that on this point there can be no misunderstanding in Canada, but in view of the seriousness of the effect which the Canadian statement might cause in the minds of the general public, they wish to draw the attention of the Canadian Government to the matter.

6. The Canadian Government maintain that the application by my Government of the Trade Protection Law to Canadian goods constitutes a discrimination against them, and also an infringement of the most-favoured-nation clause. As has been repeatedly pointed out, the measures taken by Canada are in contravention of article 7 of the Treaty of Commerce and Navigation between Japan and Great Britain which stipulates for the obligation of the High Contracting Parties to apply the lowest rates of Customs duty to the products of the other Party. The Japanese Trade Protection Law was invoked long after the Canadian steps were taken, and then only as an unavoidable repercussion of the Canadian measures. Imperial Ordinance No. 208, as expressly stated in Article 1 thereof, is in no sense directed against Canada alone. If there be any other country evincing conditions similar to those prevailing in Canada, it will come within the scope of that Ordinance.

7. The Canadian Government have already imposed a surtax of 33⅓ percent. on all imports from Japan, irrespective of whether they are originally dutiable or not. While the Japanese Government are making utmost efforts for an amicable settlement, the Canadian Government anticipate possibility of suspending the application between the two countries of the Treaty of Commerce and Navigation now in force. If it is so provided in a treaty itself, the denunciation of any commercial treaty is, of course, a matter of the option of each contracting Party. But, in the present case, the Japanese Government think it a duty to point out that the Party who so denounced must be fully aware of the fact that it will invite still further complications and can hardly serve any useful purpose towards arriving at an amicable settlement of the problem.

8. The Japanese Government, equally with the Canadian Government, earnestly wish to foster the best commercial relations between Canada and Japan, and desire to put a speedy end to the unfortunate state of their relations. From this standpoint, the Japanese Government hereby give the assurance once again that, upon the attainment of a satisfactory settlement, they will immediately rescind the application of the Trade Protection Law through the appropriate procedure. Still convinced that free and frank discussions in a fair and conciliatory spirit on both sides are certain to bring the question to a happy conclusion, the Japanese Government take this opportunity of reiterating their desire that the Canadian Government may agree to the opening at the earliest possible date of negotiations between the two Governments.

I avail etc.

S. KATO

921.

Le secrétaire d'État aux Affaires extérieures au ministre du Japon
Secretary of State for External Affairs to Minister of Japan

No. 15 Ottawa, October 21, 1935

Sir,

I have the honour to acknowledge your note of October 8th, setting forth the views of your Government regarding trade relations between Japan and Canada.

I note that the Government of Japan indicate their desire to foster commercial relations between the two countries, and to put a speedy end to the present dispute. This desire, as you are aware, is fully shared by the Canadian Government. I do not consider, however, that anything is to be gained by reviewing the contentions advanced in your note, particularly as they do not appear to present any new point of substance. I regret to observe that your note fails to indicate either any readiness on the part of your Government to modify their position or make any new suggestion for a solution of the present difficulties, or any appreciation of the very substantial concessions offered by Canada during the course of our previous negotiations.

The representations of your Government will be referred to the incoming administration for their consideration.

Accept etc.

R. B. BENNETT

922.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

TELEGRAM Ottawa, October 30, 1935

In interview with Japanese Minister, I have suggested atmosphere for negotiation of settlement of trade dispute would be improved if both countries removed surtax as preliminary step. Shall be glad if you can further this proposal.

923.

Le ministre au Japon au secrétaire d'État aux Affaires extérieures
Minister in Japan to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 43 Tokyo, November 1, 1935

Your telegram of the 30th October. I agree that removal of surtaxes should be first step in renewal of negotiations. If an agreement was concluded while

Japanese tax is still effective it would be regrettable. We would lose prestige. Removal of additional Canadian duties would not have the same effect but would rather ease conditions.

Informal suggestions that Japanese surtax be removed to create improvement in atmosphere have already been made. On account of Japanese well known reluctance to undo what has been done, I am unable to offer any hope of acceptance unless proposal is accompanied by definitive assurance of your willingness to explore sympathetically the possibilities of:

(1) Reducing or removing value of yen for duty purposes to a point satisfactory to Japanese;[1]

(2) More generous system of valuation;

(3) Less restrictive definition of what goods are of a class or kind made in Canada;

(4) Consummation of special agreement whereby Japanese goods of a class or kind not made in Canada are admitted free or at minimum rate, those of class not unduly competing with established and important Canadian industries are taxed on a basis enabling their sale in Canada, and goods of other classes treated on another basis.

It might be possible, if such an agreement is arranged, to secure special consideration of some Canadian products.

It is my opinion that an agreement which will satisfy Japanese and be of any lasting value and at same time avoid serious disturbance in Canadian industries insofar as Items 1, 2 and 3 are concerned, will be extremely difficult to arrange. An agreement on basis of Item 4 should be possible after a somewhat extensive investigation. Such I believe to be the real desire of Foreign Office officials and important business interests. Such an approach would be welcomed. To effect this, the offer of the Japanese Government to send representatives to Ottawa should be accepted. The essential information is not available here and atmosphere for negotiations in Tokyo is far from satisfactory. Message ends.

924.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

PARAPHRASE OF TELEGRAM 52 Ottawa, November 2, 1935

Your telegram 1st November, No. 43. The Japanese Minister has indicated his Government not prepared reciprocal repeal surtaxes until further main issues have been adjusted. Your observations are being carefully considered. Ends.

[1] Cette section, modifiée par le télégramme 44 du 2 novembre 1935, se lit:
Entire removing of exchange compensation duty or reducing value of yen.

[1] This section was amended by telegram 44, November 2, 1935, to read:

925.

Le secrétaire d'État aux Affaires extérieures au ministre du Japon
Secretary of State for External Affairs to Minister of Japan

Ottawa, November 6, 1935

Sir,

I have the honour to refer to your Note of October 8th and to previous correspondence addressed to my predecessor in the Office of Secretary of State for External Affairs on the subject of the trade relations between Canada and Japan. The most careful consideration has been given by the new Administration to the various matters discussed therein.

I do not think it desirable at the present juncture to review in any detail the discussions which have taken place between the Government of Canada and the Government of Japan during the past six months, or to refer to the comments contained in your Note under reference on the policy of the previous Canadian Administration. I am happy to note that your Government earnestly wish to put a speedy end to the present unfortunate state of the trade relations between the two countries. The present Administration fully share this view. We believe we will most speedily attain a satisfactory adjustment of the present unsatisfactory condition of affairs by concentrating attention upon the specific requests set forth in your Note. I shall indicate, therefore, the policy of the present Administration on these various matters in turn.

Before doing so, however, I should like to recall that during the years when the Administration of which I had the honour to be the head was in power, trade relations between the two countries were on a very friendly and satisfactory basis, and the absolute amount of trade, which is more important than the question of ratio between exports and imports, was very much greater than it is today. It is the policy of the present Administration to restore as speedily as possible the flow of trade between Canada and all other countries and not least Japan. The worldwide depression, the numerous measures in restriction of trade to which various Governments have had recourse in the past few years, and the economic situation created as a consequence, make it impossible to return at a single stroke to the trade situation which existed some half dozen years ago. I can, however, assure you that we are determined to make every possible effort in this direction, and are confident that your Government will evince the same attitude. I should add that any changes in tariff policy and procedure that may be adopted or recommended will, of course, not apply to Japan alone, but will be part of a general policy.

Turning now to the specific requests made by your Government which you have, for purposes of convenience, summarized on pages 5 to 7 of your

Note under reference,[1] I note that, in the first place, your Government request that the scope of the term "goods of a class or kind made or produced in Canada" should be "properly restricted and made explicit, thus removing the cause of unnecessary anxiety and unforeseen loss to Japanese merchants". In this connection it is proposed to return to the practice in force before 1930 of restricting the definition of the term in question and the consequent application of dumping duties to instances where goods are made in Canada in commercial quantities. It is further our intention to provide that where changes in the industrial structure make it necessary to classify as "goods of a class or kind made or produced in Canada", commodities which were not formerly in this category, adequate notice of the change shall be given. Special duties would not apply during the period of notice. We are confident that the modifications above indicated will completely remove any objection which your Government may have had to the application of this provision.

The next request preferred by your Government refers to the fixed valuations under Section 43 of the Customs Act which apply to approximately thirty-five commodities imported from Japan and from other countries. You will recall that during the years prior to 1930, Section 43 of the Customs Act applied only to fruits, vegetables and other natural products. It is the policy of the present Administration, in so far as it may be possible to do so, having regard to the changes which have occurred in international trade since that period, to return to the former practice. To this end we are making a review of existing valuations and expect to be in a position, at an early date, to cancel a very large proportion of those now in force. It is also proposed to ensure that no new fixed valuations will be imposed without first affording full opportunity for representations. You will note that this revision which we have in mind is more fundamental than that contained in the request of your Government.

I now come to the question of the Customs treatment of depreciated currency, which is at once the most important and the most difficult of the issues which have been raised by your Government. I do not propose to go into the background of this question which has been very comprehensively treated in the correspondence already exchanged between the two Governments. The policy of the present Government is to ensure that the Tariff Schedules enacted by Parliament shall not be rendered more restrictive on importations as a result of any measures dealing with depreciated currencies. We propose to take the current exchange rate as the basis for ordinary duty in the case of all goods not of a class or kind made in Canada, thus conferring a substantial advantage on a very large proportion of Japan's exports to this country. On invoices covering goods of a class or kind made in Canada the yen would be taken for purposes of ordinary duty at 41.51 cents as at present, or such lower rate as may be decided upon in accordance with the proposals set forth in the succeeding paragraphs.

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[1] Le document 920, paragraphe 4, sections a, b et c.

[1] Document 920, paragraph 4, sections a, b and c.

As regards the proclaimed value upon which exchange compensation duty is based and which applies only to goods of a class or kind made in Canada, we are prepared to revise the rate of 41.51 cents for the yen, and similarly in the case of other currencies, in so far as it can be conclusively established that the reductions already made, for example, from 49.85 cents to 41.51 cents for the yen, have not completely taken into account the increase in cost of production offsetting the competitive advantage arising from currency depreciation.

Alternatively, we are prepared, should you consider such an arrangement preferable, to establish a new proclaimed value based on the average value of the currency in question for the past five years, thus allowing gradually for the presumed adjustment of production costs to exchange fluctuations. The rate which would, according to our calculations, be 39.5 cents for the yen at present, would be set at the beginning of each year upon the average of the five years preceding, thus gradually effecting a reduction in the proclaimed value.

In proposing the concessions set forth above, the Canadian Government has done its utmost to meet the representations put forward by your Government. We are confident that the Government of Japan, sharing our desire to terminate the present unsatisfactory situation as soon as possible, will, on its part, be prepared to accept the modifications we have outlined and to withdraw its surtax of 50% on Canadian goods. The Canadian Government, on being informed of the acceptance of its proposals by your Government, will, on its part, immediately withdraw the surtax of 33⅓% levied on Japanese goods and will take the necessary steps to put into force the proposals which we have indicated in the preceding paragraphs.

Accept etc.

W. L. MACKENZIE KING

926.

Aide-mémoire remis par le secrétaire d'État aux Affaires extérieures au ministre du Japon

Aide-Mémoire handed by Secretary of State for External Affairs to Minister of Japan

[Ottawa,] November 12, 1935

With reference to the question of Customs administration on which, in our conversation of this morning, you mentioned the Japanese Government desires to secure more precise information than that set forth in my communication of November 6th, I beg to advise you as follows:

1. The practice in force prior to 1930 respecting the definition of the term "goods of a class or kind made or produced in Canada," (as used in section 6 of the Customs Tariff), to which the Canadian Government is prepared to return is that in order for goods to be so classified they must be made "in substantial quantities" in Canada. Owing to the extreme difficulty of setting

a figure which would be applicable to all industries, the Canadian Government has heretofore deemed it inadvisable to set a definite percentage of the Canadian market which a new industry would be expected to be able to supply, to entitle it to be regarded as making or producing goods "in substantial quantities". As a means, however, of avoiding possible controversies in the interpretation of its Customs regulations, the Canadian Government is prepared to regard the term "in substantial quantities" as meaning a minimum of approximately ten percent of the normal Canadian consumption.

2. The Government has no particular commodities in mind which, in the near future, it intends to classify as "being of a class or kind made or produced in Canada". The only commodities which have been mentioned as goods which might be possibly so classified are skelp for the manufacture of tubes and pipes, cherries in brine, soya bean oil, semi-porcelain ware and canned tuna fish. On none of these, however, will any action be taken until after thorough enquiry has been made.

3. It is not proposed to retain fixed valuations under Section 43 of the Customs Act other than those established on fresh fruits and vegetables and on rubber boots and shoes. The manufacture of rubber boots and shoes has long been an established industry in Canada. This industry has been subject to serious competition from mass production methods in various countries. It will be recalled that the amount of the fixed valuation for customs purposes on rubber boots and shoes was recently reduced. The Government does not feel, however, that it would be practicable at this time to abolish the valuation altogether. The intention not to retain any of the existing fixed valuations under section 43 other than those herein referred to, must, of course, be construed in the light of what is set forth respecting conditions of international trade in my communication of November 6th.

4. It will be recalled that in my Note of November 6th, it was pointed out that no fixed valuations will be imposed on commodities which have hitherto not been subject to such valuations without first affording full opportunity for representations. In order to further clarify this assurance I may say that any interested party will be allowed an appeal to the Tariff Board of Canada from any valuation applicable to products from Japan which may hereafter be established under this Section. In the event of an appeal, the value for duty in force shall, upon the expiration of three months after the date of appeal, cease to have any force or effect, unless the Tariff Board, following a public enquiry and within three months after the date of appeal, finds that the new value, or some lower fixed value, is required to prevent the importation of the goods into Canada from prejudicially or injuriously affecting the interests of Canadian producers or manufacturers. If a lower fixed value is found by the Tariff Board to be appropriate, such lower value shall promptly be made effective.

5. I may add the further assurance that the Canadian Government has no present intention of applying any new valuations under Section 43 of the Customs Act.

927.

Le secrétaire d'État aux Affaires extérieures au ministre au Japon
Secretary of State for External Affairs to Minister in Japan

TELEGRAM 57 Ottawa, December 18, 1935

CONFIDENTIAL. Your despatch No. 252 November 19th. On December 14th the Prime Minister gave Japanese Minister memorandum setting forth that Canadian Government is prepared, on understanding that Japan will cancel surtax on Canadian goods, to make following modifications in its customs practice:

(1) Restrict classification of "goods of a class or kind made in Canada" to goods produced in quantities sufficient to supply at least ten per cent of normal Canadian consumption.

(2) Give adequate notice of transfer of products from category "not of a class or kind" to category "of a class or kind".

(3) Cancel present fixed values under Section 43 except those on rubber footwear and certain others in which Japan not concerned.

(4) Provide for appeal to Tariff Board on future valuations.

(5) Take current exchange value of yen for goods not of class or kind made in Canada.

(6) On other goods 39.5 cents average exchange value of yen 1930-34 based on League of Nations figures. Figure would be revised each year to conform to average for five preceding years.

(7) Cancel surtax of 33⅓ per cent.

Numbers 1 to 4 already substantially provided for in treaty with United States. 5 and 6 will be applicable to all other countries with depreciated currencies.

It was suggested that Agreement go into force January 1st. Japanese Minister has referred it to his Government.

928.

Le ministre du Japon au secrétaire d'État aux Affaires extérieures
Minister of Japan to Secretary of State for External Affairs

No. 46 Ottawa, December 26, 1935

Sir,

I have the honour to inform you that the Japanese Government have decided to cancel, on January 1st, 1936, the surtax of 50 per cent ad valorem levied on certain goods the produce or manufacture of Canada under

the provisions of the Imperial Ordinance No. 208, 1935, and the Proclamation No. 162 of the Department of Finance of Japan of July 20th, 1935.

I avail etc.

S. KATO

929.

Le secrétaire d'État aux Affaires extérieures au ministre du Japon
Secretary of State for External Affairs to Minister of Japan

No. 22 Ottawa, December 26, 1935

Sir,

I have the honour to inform you that the Canadian Government, in accordance with its general policy respecting trade and tariff matters, has decided to make the following modifications in its Customs regulations:

1. The classification "goods of a class or kind made or produced in Canada", as it appears in the Customs Tariff, will be restricted to goods which are of a class or kind made or produced in Canada in quantities sufficient to supply at least ten per cent of the normal Canadian consumption. Adequate notice will be given of the transfer for Customs purposes of a product from the category "not of a class or kind made or produced in Canada" to the category "of a class or kind made or produced in Canada".

2. In computing the value for duty of goods of a class or kind not made or produced in Canada, the value of the yen will be the current exchange value in terms of the Canadian dollar at the time the goods were exported to Canada.

3. In computing the value for ordinary duty and for special duty under Section 6 of the Customs Tariff of goods of a class or kind made or produced in Canada the value of the yen during the twelve months beginning January 1st, 1936, will be at the rate of 39.5 cents; being the average exchange value of the yen, in terms of the Canadian dollar, for the five-year period 1930-34, based on the exchange rates published in the Statistical Year Book of the League of Nations. For the succeeding twelve-month period the yen will be taken at the average exchange value for the five-year period 1931-35, computed on the same basis, and similarly for each succeeding year. It is understood, of course, that if the yen should reach a value in Canadian currency higher than the value set forth or provided for above, such value would thereupon cease to apply and would be replaced by the current exchange value.

4. The values established under authority of Section 43 of the Customs Act will be cancelled on January 1st, 1936, on an extensive list of commodities.

5. Opportunity will be afforded for appeal to the Tariff Board of Canada respecting any value for duty which may in future be established under Section 43 of the Customs Act. In the event of such an appeal the value for duty in force will, upon the expiration of three months after the date of appeal, cease to have any force or effect unless the Tariff Board, following a public inquiry, finds that such value or some lower value is required to prevent the importation of the goods into Canada from prejudiciously or injuriously affecting the interests of Canadian producers or manufacturers. If a lower value is found by the Tariff Board to be appropriate such lower value will promptly be made effective.

The Canadian Government has decided to cancel on January 1st, 1936, the surtax of 33⅓% ad valorem levied on goods the produce or manufacture of Japan under the regulations made by Order-in-Council P.C. 2108 of July 22nd, 1935, as modified by Order-in-Council P.C. 2317 of August 3rd, 1935.

Accept etc.

W. L. MACKENZIE KING

TERRE-NEUVE/NEWFOUNDLAND

930.

La délégation de Terre-Neuve au Premier ministre

Newfoundland Delegation to Prime Minister

St. John's, October 7, 1931

Sir,

It having been intimated to our Government that the Dominion of Canada, actuated by the spirit that animated the Fathers of Confederation, might be desirous of acquiring the Labrador Peninsula, so that Canada should extend its territory from the Atlantic to the Pacific, the Executive Council of Newfoundland decided to delegate three of their Ministers to meet you unofficially and ascertain the views of your Government on this matter. Our delegation consisted of Rt. Hon. Sir A. A. Squires, Prime Minister of Newfoundland: Hon. P. J. Cashin, Minister of Finance and Hon. H. M. Mosdell, Chairman of the Newfoundland Board of Health. The Prime Minister of Newfoundland was, unfortunately, unable to be present at the interview with you at Ottawa, which took place on Sept. 25th, but was cognisant thereof and expressed his thorough approval of the action of his two ministerial associates in discussing with you the matter mentioned.

Your undertaking at this interview was to submit the question for consideration of your Cabinet and to acquaint us at the earliest possible date whether or not the Government of Canada was prepared to receive official communications in this connection and to enter into official negotiations

designed to effect the transfer of the territory as aforesaid. On Sept. 28th, our delegates, then at Montreal, received from you an intimation to the effect that you were prepared to receive an official communication from the Government of Newfoundland on the subject under consideration.

The two delegates who had had the unofficial conversation with you at Ottawa immediately conveyed this intimation to the Prime Minister of Newfoundland, who was also at Montreal, and, further, cabled full information to their ministerial colleagues in Newfoundland.

The Executive Council of the Government of Newfoundland met in formal session to consider this report, and, under date of October 3, 1931, a formal Minute of Council, duly signed by His Excellency the Governor of Newfoundland, issued appointing as an official delegation the three Ministers aforementioned in this communication, together with Hon. A. Barnes, Secretary of State for Newfoundland, and Hon. Sir W. F. Coaker, to meet official representatives of the Government of Canada and to endeavour to negotiate terms and conditions of the proposed transfer to the Dominion of Canada of the Labrador territory of the Dominion of Newfoundland.

This official delegation, while regretting that the Prime Minister of Newfoundland has been unable to remain in Canada for the official conversations in this connection, have now the honour to present to you certified copy of the Order-in-Council authorising their mission and describing their powers, and they beg also to be permitted to submit to you their proposals, regarding the suggested disposition of the Labrador territory of Newfoundland.

The Government of Newfoundland hereby offers to transfer to the Government of Canada the whole of the Labrador territory of the Dominion of Newfoundland, such transfer to be subject to the undermentioned general conditions and considerations:

1. The rights and privileges of the fishermen of Newfoundland, and such other rights and privileges of this nature as are actually existing in virtue of treaties still binding on the British Crown to be recognized and preserved by the Government of Canada:

2. Hudson's Bay Company's Concessions, rights and privileges, if any, to be safeguarded by the said Government of Canada:

3. Claims arising under licenses issued by the Government of Newfoundland in respect to timber lands in this territory to be adjusted in accordance with the terms of Paragraph 5 hereof:

4. The Government of Canada to assume the obligation of paying the full funded indebtedness of Newfoundland, amounting to Eighty-seven Million Dollars, approximately, and at the completion of negotiations to remit to the Government of Newfoundland the sum of Thirteen Million Dollars, approximately, making thus a total payment to the Government of Newfoundland of One Hundred Million Dollars in this behalf:

5. The Government of Canada to deposit in trust with a chartered bank in Montreal an additional amount of Ten Million Dollars with

instructions to said bank to deliver said amount on presentation and delivery of a certificate issued by the Government of Newfoundland to the effect that all claims arising out of the issuance of timber licenses have been completely settled and that the said Government of Newfoundland is in a position to deliver to the Government of Canada a free and clear title to the Labrador territory of Newfoundland.

6. The Government of Newfoundland undertakes to submit to the Legislature of Newfoundland a Bill to convey to the Dominion of Canada the full and clear ownership of the Labrador territory aforesaid.

We trust the foregoing will prove satisfactory to you and to your Government and that it will be regarded as a reasonable basis for the initiation of negotiations in the connection herein discussed.

Very respectfully yours,

A. BARNES
P. J. CASHIN
W. F. COAKER
H. M. MOSDELL

931.

Le Premier ministre à la délégation de Terre-Neuve
Prime Minister to Newfoundland Delegation

Ottawa, October 14, 1931

Gentlemen,

I advised my Colleagues of the substance of our interview of a few days ago, and communicated to them your letter, being a certified copy of minutes of the Honourable Executive Council, approved by His Excellency, the Governor, on the third of October, 1931, and the proposal based thereon. I note that your Prime Minister has been called back to Newfoundland, and was unable to head your Delegation.

I regret, under present economic and financial conditions, it is not feasible for us to favourably consider your proposal. If circumstances were more propitious a committee of the Cabinet would have been appointed to consider the whole situation, but until there is a general improvement in world conditions no good purpose would be served by considering in detail a proposal which we are not prepared to accept in principle.

May I assure you that the Government greatly appreciates not only your courtesy in placing the situation so frankly before us, but also your personal visit to Ottawa. I regret that I was compelled to leave town that evening for it would have been a matter of great satisfaction to my Colleagues and

myself to meet you in friendly discussion regarding your Dominion. Probably under more favourable conditions we may be able to reconsider the situation.

Believe me, with much appreciation of your courtesy,

I am etc.

R. B. BENNETT

932.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 166 Ottawa, November 21, 1932

SECRET. Following for Chancellor of the Exchequer. Begins. Newfoundland situation. With reference to your message conveyed through British High Commissioner's Office, I have discussed situation with my colleagues and also with bankers familiar with the present situation. Have the Newfoundland authorities given any indication of willingness to raise the necessary funds by a domestic loan? We would not be unwilling to discuss taking Newfoundland into Confederation but obviously initiative in any such direction must come from the Government of Newfoundland. I informed the Prime Minister of Newfoundland during the Imperial Economic Conference of our willingness to discuss Confederation or Labrador questions at any time he might suggest. With regard to effect of default on Canadian credit, enquiries made some time ago in financial circles led to the conclusion that default would cause little injury to Canadian credit as action taken last year made it clearly apparent that Newfoundland and Canada had equal and independent status and that neither the British nor the Canadian Government was in any sense responsible for their misfortunes, which are largely attributable to the incurring of enormous and unwarranted debt. Newfoundland has, however, undoubtedly suffered greatly as the result of war efforts and the collapse of prices. I shall, if your Government conclude to render assistance, discuss with my colleagues whether we could take any action in the same sense. However, I should state that while last year we took action with the banks to ease the situation, my colleagues do not now favourably consider the idea of assistance. Message ends.

933.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 133 London, November 24, 1932

IMPORTANT. SECRET. Your secret telegram of the 21st November, No. 166. The Chancellor of the Exchequer and I are grateful for your prompt reply

to my message conveyed through LeRougetel, and have given earnest consideration to what you say. We are not prepared to meet Newfoundland obligations by ourselves and without conditions. We are unwilling on the other hand to risk damage to prestige of the Empire which default might cause.

Two alternatives present themselves if this is to be avoided, either Newfoundland must accept some form of non responsible Government involving in effect administrative control from this country with all its implications including consideration of adoption of sterling as basis of currency; or what we ourselves would prefer some joint action must be taken by the Government of Canada and ourselves.

However, after considering how latter alternative might be accomplished we put forward the following proposals for your consideration:

(*a*) By way of loan we will provide half of sum needed by Newfoundland on December 31st to meet deficiencies in its debt obligations at that date provided that Canada will lend other half;

(*b*) These two loans to be secured *pari passu* on uncharged balance, which we understand amounts to about $50,000 a year, of annual payment of $300,000 made by the Imperial Oil Limited to the Government of Newfoundland in return for oil monopoly;

(*c*) Newfoundland to undertake to raise an internal loan to repay these advances at the earliest possible moment, security for the United Kingdom and Canadian loans being released as those loans are repaid;

(*d*) Newfoundland to undertake to accept Mixed Commission of United Kingdom, Canadian and Newfoundland personnel to examine into the future of the Dominion with a view to reaching decisions and making appropriate arrangements before debt interest due at 1st July, 1933, matures.

We shall be glad to learn at the earliest possible date whether your Government are willing to join us in making proposals in this sense to Newfoundland. In the meantime we are sending to Alderdice interim reply warning him of strong objections to his scheme which we gather he wishes to announce to bondholders December 15th, but not, of course, mentioning proposals above. Ends.

934.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 170 Ottawa, December 2, 1932

SECRET. With reference to your secret telegram No. 133 of the 24th November, regarding Newfoundland. We have been giving careful and

sympathetic consideration to Newfoundland situation but owing to the financial position which is developing in the Western Provinces, we are not in a position to meet your suggestion at the moment. However, we are discussing the situation further with interested Canadian banks. I hope to be in a position to discuss the whole matter with yourself and the Chancellor of the Exchequer in London before any announcement requires to be made. Message ends.

935.

Le Premier ministre au Premier ministre par intérim
Prime Minister to Acting Prime Minister

TELEGRAM London, December 15, 1932

Just left Chamberlain. We are agreed that under existing conditions Newfoundland must not default. Newfoundland will provide one third, British Treasury one third, and you must ask Banks to arrange for other one. The advances will be secured by charge against unappropriated balance of oil monopoly and immediate steps will be taken by British Government deal with whole Newfoundland situation before interest date. No further extension will be considered. Answer promptly as possible.

BENNETT

936.

Le Premier ministre par intérim au Premier ministre
Acting Prime Minister to Prime Minister

TELEGRAM Ottawa, December 16, 1932

Have pressed banks regarding Newfoundland but they refuse provide the third without Canadian Government guarantee. Say they have considered position most carefully and cannot advance any more even if default of Newfoundland should result.

PERLEY

937.

Le Premier ministre au Premier ministre par intérim
Prime Minister to Acting Prime Minister

TELEGRAM London, December 19, 1932

Chancellor of Exchequer and Government Banks agree that default by Newfoundland will seriously affect price Canadian provincial securities and possibly federal as they are all trustee investments. Under circumstances believe we should pay six hundred and twenty five thousand dollars. Please arrange with Banks to confer with Prime Minister Newfoundland and make

advance of that sum immediate action being taken to clarify situation. Actual terms Order in Council might stand until my return but money has to be available by twenty seventh. Please advise immediately. Sailing Wednesday.

BENNETT

938.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

PARAPHRASE OF TELEGRAM 141 London, December 23, 1932

IMMEDIATE. SECRET. Your secret telegram of the 2nd December, No. 170. We have discussed position of Newfoundland fully with the Prime Minister of Canada during his visit to this country as a result of which the following telegram was sent on the 20th December to His Majesty's Government in Newfoundland. Begins. We have carefully reviewed the whole position of Newfoundland in the light of your telegram and of information as to cash position since received from Trentham, and we have reached conclusion that effect of contemplated default on credit of Empire generally and more particularly of Newfoundland itself would be so serious as to justify special attempt on our part to prevent it on this occasion. Time would be secured for further exploration of whole position in cooperation with His Majesty's Government in Newfoundland.

Therefore, subject to the following conditions, we are prepared to arrange for immediate provision of $1,250,000 in cash by way of loan to Newfoundland to enable debt service due 1st January, 1933, to be met in full. It is contemplated that interest on this loan should be provided from uncharged balance (which it is understood amounts to some $50,000 per annum) of annual payment of $300,000 made to the Newfoundland Government by the Imperial Oil Limited in return for oil monopoly.

Above offer is conditional on Newfoundland undertaking to accept a Commission consisting either,

1. of two members nominated by His Majesty's Government in the United Kingdom and one by His Majesty's Government in Newfoundland, or,

2. of three members nominated by His Majesty's Government in the United Kingdom whichever alternative may be more acceptable to you. We should reserve in either case the right, in consultation with His Majesty's Government in Canada, to invite a Canadian to act as one of our nominees.

Purpose of the Commission would be to examine into the future of Newfoundland, and in particular to report on the financial situation and prospects of that Dominion and what measures may be necessary to secure

its financial stability with a view to decisions being reached and appropriate arrangements made before debt interest due on July 1st, 1933, matures.

It would be necessary for the Commission to be given power by means of Newfoundland legislation to examine witnesses upon Oath in Newfoundland.

We assume, of course, in view of wide terms of reference suggested above, that pending report of Commission Newfoundland would not alienate any substantial assets by sale or long lease without prior consultation with us, but we should like to have this confirmed.

The proposed loan of $1,250,000 is on the assumption that you will be able to contribute from the Exchequer balance of not less than $1,232,450 which according to figures given by Trentham is slightly less than one half of the total liability for interest including premium exchange. On the 1st January, 1933, this should leave you over $200,000 credit balance which appears to us not unreasonable. We make this proposal after giving due weight to considerations advanced in Trentham's telegram of December 13th.

Of total loan of $1,250,000 we propose to advance one half ourselves and the Dominion of Canada have arranged to advance the other half.

It is recognised that you may not be in a position to commit Newfoundland to acceptance of these proposals but you will realize that we could not provide money unless we were in a position to give Parliament assurance that His Majesty's Government in Newfoundland were ready to recommend such a scheme at once to their Legislature and ask for necessary powers, or that if these were for any reason not obtainable at once you would forthwith appeal to Electorate for their support of plan.

You will recognize that in the event of your being unable to give assurance in the above sense and default occurring at once we should have no alternative but to make our position clear by public statement to the effect that financial assistance had been offered to Newfoundland by His Majesty's Government in the United Kingdom on these conditions and had been refused by Newfoundland. However, we most earnestly trust that you will appreciate how vitally important it is both in your own interests and in order to prevent further shocks to public faith in credit of debtor Governments generally that you should accept our proposals. They are offered notwithstanding our own Budget difficulties in conformity with spirit of mutual cooperation between Empire countries as evidenced at Ottawa and with sincere desire to assist you in finding way out of your present embarrassments.

Would be glad to receive your reply with the least possible delay. Ends.

These proposals have now been accepted by His Majesty's Government in Newfoundland in the following telegram. Begins. We accept proposals made and are grateful for spirit of mutual cooperation shown. We prefer first alternative for the constitution of Commission which in view of severe prospective financial stringency we would welcome at the earliest possible date. We confirm that Newfoundland would not alienate any substantial assets without prior consultation as suggested. An Order will be passed forthwith

by the Governor-in-Council enabling the establishment of Commission and examination by it of witnesses on Oath. It is not necessary to summon Legislature for this purpose but an Act will be passed to charge interest upon oil monopoly fund. Ends.

It is therefore desired to issue public statement, if possible on the 29th December which had previously been agreed with His Majesty's Governments in Canada and Newfoundland and we would propose that it should be in terms of my immediately succeeding telegram. In view of urgency could this statement be laid before Mr. Bennett (or if practicable on his arrival at New York) immediately on his return to Canada. We should like to obtain his concurrence at the earliest possible moment. We suggest simultaneous publication in Canada, Newfoundland and this country.

We presume that Canadian share of loan, namely, $625,000 will be placed to account of Newfoundland Government at the Bank of Montreal in Montreal not later than 31st December. Please let us know as soon as possible as to this so that we may inform Newfoundland Government. End of message.

939.

Le secrétaire d'État par intérim aux Affaires extérieures au secrétaire aux Dominions

Acting Secretary of State for External Affairs to Dominions Secretary

PARAPHRASE OF TELEGRAM 182 Ottawa, December 28, 1932

IMMEDIATE. SECRET. Your telegram of the 23rd December, Secret, No. 141. I have brought proposed Newfoundland statement to the attention of the Prime Minister on his arrival this morning in New York. He concurs and we are arranging release at 6 p.m. G.M.T. 29th December for publication on the morning of December 30th with revision contained in your telegram of the 28th December, Secret, No. 144. With regard to the last paragraph in your telegram, arrangements have been made with Canadian banks operating in Newfoundland to provide Canadian share of loan. The Government of Newfoundland has been so advised through banks. Ends.

940.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures

Dominions Secretary to Secretary of State for External Affairs

TELEGRAM 4 London, January 9, 1933

My telegram 28th December, No. 144. I should be glad to receive as soon as possible name of member whom the Canadian Government would desire

appointed to prcposed Newfoundland Commission. We are considering names for appointment as Chairman and we propose to provide out of United Kingdom funds cost of his passage and rail fare, and also subsistence allowance at the rate of $10 a day while in Newfoundland.

We are asking the Newfoundland Government to bear general expenses of Commission in Newfoundland including the cost of attendance of witnesses, and also to provide for the expenses of their nominee. Will His Majesty's Government in Canada regard it as appropriate that they should similarly provide for expenses of their own nominee from Canadian funds.

We propose to appoint the Secretary of the Commission and provide for his pay, travelling expenses and subsistence allowance out of United Kingdom funds.

941.

Le premier ministre de Terre-Neuve au Premier ministre
Prime Minister of Newfoundland to Prime Minister

TELEGRAM St. John's, February 6, 1933

In report on proceedings of Canadian House of Commons which appeared in Montreal daily *Star,* dated 31st January, it is stated in reply to question asked by the Honourable J. L. Ralston, you said that you had a personal letter from me intimating that I was prepared to discuss union with Canada if matter were to be considered. It is very evident that you have been misquoted as at no time did I ever write you personally or officially on this subject. Report has received wide publicity here causing considerable comment. Under these circumstances I should be glad if you will take an early opportunity of correcting this misleading report which naturally places me in an embarrassing position, meantime I should appreciate a telegram from you on the subject.

ALDERDICE

942.

Le Premier ministre au premier ministre de Terre-Neuve
Prime Minister to Prime Minister of Newfoundland

TELEGRAM Ottawa, February 8, 1933

IMMEDIATE. Thanks for message. The question was asked by Colonel Ralston without notice. I have been confined to my rooms for a couple of days. Propose to correct the statement by indicating that the only communications received were a photostat copy of a letter purporting to be directed by you to Mr. Champlain on Sixteenth November last and a photostat of a letter purporting to be signed by the Secretary of State directed to the same gentleman under date Thirteenth October, 1932. I think you will observe that my statement in House of January thirtieth was very vague and is in-

correctly reported by referring to "a" conference instead of "the" conference. Trust you have not been embarrassed.

R. B. BENNETT

943.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 19 Ottawa, February 8, 1933

Your telegram No. 4 January 9th. His Majesty's Government in Canada recommend for appointment on proposed Newfoundland Commission Charles Alexander Magrath, Esquire, Chairman, Canadian Section International Joint Commission under Boundary Waters Treaty, 1909, with United States of America. His Majesty's Government in Canada will provide for Magrath's expenses.

944.

Le premier ministre de Terre-Neuve au Premier ministre
Prime Minister of Newfoundland to Prime Minister

TELEGRAM St. John's, February 9, 1933

IMMEDIATE. Thanks for message. Sorry to learn of your indisposition which I trust is only temporary. Correspondence referred to has reference solely to negotiations concerning Newfoundland and Labrador and does not contain any suggestions whatever regarding union with Canada which formed the subject of newspaper report of your reply to Ralston. When making correction you have so kindly undertaken to do, I should be glad if you would do so along these lines as the wide publicity given misleading report here has caused considerable adverse comment. Should be glad to be informed if this meets your understanding of situation.

ALDERDICE

945.

Le Premier ministre au membre canadien de la Commission pour Terre-Neuve
Prime Minister to Canadian Member of Newfoundland Commission

PRIVATE Ottawa, March 9, 1933

CONFIDENTIAL

Dear Mr. Magrath,

I think it might be helpful if I put upon paper my general understanding of the reference of the Newfoundland Royal Commission and of the rela-

tions which should exist between the Members of the Commission and His Majesty's several Governments upon whose advice they have received their appointments.

The terms of reference, as set forth in His Majesty's Commission forwarded under cover of a despatch from the Secretary of State for Dominion Affairs of which a copy is enclosed,[1] are very wide. Their ultimate delimitation must await upon the Commission's appreciation of the General position of Newfoundland. Underlying with these broad instructions is the assumption that the Commission will examine with particular care the financial situation of the Island in the light of the assistance arranged in December last by the Governments of Canada and the United Kingdom. As you will see from the enclosed telegram[2] from the Secretary of State for Dominion Affairs (No. 33 of the 7th March), the period of the advance then made and the terms of its repayment are not to be settled until the Commission has completed its study of the situation. It is of the utmost importance that this aspect of the Commission's work should be disposed of at the first opportunity so that the negotiations entered into with a view to avoiding default on interest payments maturing in January may be definitively closed before the next instalment of interest falls due at the end of June. I need not remind you of the various difficulties which had to be surmounted in arranging for the advance of the Canadian share of the loan. You are not unfamiliar with the general budgetary problem with which the Government is faced and is likely to be faced for some time to come, and you know how this problem has been aggravated by the imperative obligation of affording the Western Provinces such financial aid as our resources allow. I am mentioning this matter at this point for it directly limits and conditions the assistance which the Canadian Government can give to the Government of Newfoundland.

I do not think we can usefully consider the wider political and constitutional implications of Canada's relation to Newfoundland. These are questions that the Commission will examine with the care and delicacy that they require. I have brought together, for your convenience, copies of the principal documents illustrating earlier efforts to bring Canada and Newfoundland into close union. You will note that the British North America Acts of 1867 and 1915 make formal provision for the possible entry of Newfoundland into Confederation. An attempt was made in 1869 to use this formal authorization, and the Parliament of Canada approved an Address to the Throne in that year which set forth the conditions on which union could be bound. This project was submitted to the electors of Newfoundland and so decisively rejected that no further steps were taken until 1888 when overtures, initiated by Sir John Macdonald, led to a dragging correspondence of three or four months and were finally abandoned—apparently at the instance of the Govern-

[1] Remis à C. A. Magrath par le Premier ministre alors que celui-là partait pour St. John's.

[2] Non reproduit.

[1] Handed to C. A. Magrath by the Prime Minister as the former was leaving for St. John's.

[2] Not printed.

ment of Newfoundland. In 1895 the prevailing financial depression, aggravated in Newfoundland by a disastrous fire which destroyed most of the City of St. John's, impelled the Government to take up the invitation extended to them seven years earlier. A conference was accordingly held in Ottawa in March and April, 1895, whose proceedings are recorded in the Sessional Paper of that year of which I enclose a photostat copy. From the tabular statement of demands and offers set out in that Paper you will see that agreement on terms of union was nearly reached. The actual cause of the failure to agree is still obscure for the differences outstanding were not of primary importance. However, the Conference broke up after sitting for some weeks and the negotiations then abandoned were never seriously resumed.

I hope you will feel entirely free to communicate with me on any question before the Commission which you feel the Government should consider, and I need not assure you that I shall be glad to arrange, through the Department of External Affairs, to secure for you any supplementary material or information which your labours may require.

It should not be necessary for me to express the appreciation of my colleagues and myself of your willingness to undertake this arduous and ungrateful task of the first importance to Canada and the Empire.

Yours sincerely,

R. B. BENNETT

946.

Le membre canadien de la Commission pour Terre-Neuve au Premier ministre

Canadian Member of Newfoundland Commission to Prime Minister

PERSONAL AND PRIVATE St. John's, April 13, 1933

Dear Mr. Bennett,

This Newfoundland situation is not only difficult to work out but from the Canadian point of view it has, as I see it, quite a serious side to it.

I recognize the approved method of dealing with a problem is to form no definite opinion until all available information has been collected and studied. I find, however, that it has always been helpful to me to prepare an occasional memorandum as they seem to help me to see the problem more clearly and keep me from straying too far afield. With that explanation you will find herewith my memorandum of even date herewith.[1] Please understand I am not anticipating the Report of the Commission. My opinions are more or less tentative until the whole subject is being threshed out with my colleagues preparatory to the writing of our Report.

[1] Non reproduit. [1] Not printed.

You will observe my suggestion to use this Newfoundland issue for bringing the question of rates of interest, excessive under present conditions, before the World Conference. I know little or nothing about such matters, but if the interest question is a serious matter to say our Provincial Governments, the subject might be dealt with in an orderly and constructive way by such a gathering. Furthermore, if through making use of Newfoundland's financial difficulties, our Provinces as well as the Island, obtained relief, it should help to awaken a real interest amongst our people to their neighbours on this Island, thereby enabling you to go as far as possible in helping to clean up this situation. I can appreciate my suggestion adversely affecting your efforts to float further loans in the immediate future.

I believe Newfoundland must become in time part of our Dominion. I attach a great deal of importance to the necessity of generosity on the part of Canada to Newfoundland. I fully appreciate that our Government must be just to our own people before being generous to others. There are more ways of being generous than by dollars and cents by way of an excessive figure for Labrador.

You will be interested to know that about one-third of the population is of Irish descent—all loyal to Great Britain. A few days ago I heard one with quite a strong Southern Irish accent—speaking about some local matter—urge that "we should follow the example of England". To me, it was very interesting. Nevertheless, the Irish temperament can be played upon rather easily, and while the people are taking in a very fine spirit the considerable reductions in salaries and services, that have been made in every direction, my fear is that if they have to struggle on for a few years under existing conditions, no one can say what disturbing situation might arise and one that might be quite embarrassing to Canada. Even if our Dominion is unable to render Newfoundland any assistance through acquiring Labrador or otherwise, I am under no misapprehension as to the policy Canada should pursue towards the people of this Island. It should be one of active cooperation and assistance. If so, it will not be long until the people here will have the same regard for Canada as for Great Britain.

So far as I can see there are few opportunities in Newfoundland for other than the present population with its natural increase. Cod fishing is peculiarly a Newfoundland industry and is a stable one. Its expansion is probably limited to 50 per cent of what it is now. It is stated there is room for another paper mill, and possibly two, through drawing pulpwood supplies from Labrador, but that of course is some time in the future, in view of production in both Canada and Newfoundland being so far ahead of consumption. Further mineral development, it is believed, will give opportunity for additional labour. With fair prices for their products, the people of the Island will get along nicely, provided part of the financial burden they now carry can be removed. They evidently are a fine people and those with whom we have come into contact in St. John's are most kind and hospitable.

As you doubtless know they have two political parties, Tories and Liberals, and so far as I can see there is no more room for them than in a Council

in control of a large and important county. With Dominion status conferred on them, they naturally adopted the British Departmental system of government, and it looks to me as being wholly unnecessary for the present population. It is quite a common expression in St. John's, "the trappings of an elephant on the back of a mouse". However it is here, and there are far more important things requiring attention at the present time.

There has been so much loose talk about the value of Labrador that it will be difficult for both Canada and Newfoundland to reach an agreement as to figure, provided you feel Canada is justified at the present time in taking on any additional burden. Newfoundland has been issuing timber leases in Labrador for years and the revenue therefrom is, I understand, comparatively small. In my memorandum I offer the suggestion that Newfoundland have the right to buy it back within a fixed period. Another suggestion might be to give the Island some considerable proportion of the net revenues obtained from Labrador during some period.

If an agreement in respect to Labrador can be reached, I am inclined to think it would be unwise to bring forward confederation at the present time, however the Royal Commission may decide otherwise. As a matter of fact I believe if we had evidence that Newfoundland would go down into the far future as a member of the British family of nations and retain Labrador, I would say that Canada would be just as well off, clear of any responsibility in connection with our neighbours. Canada, however, cannot take such an attitude and unquestionably in my opinion it is in the best interest of Newfoundland to be part of Canada. By treating them generously, taking a proper interest in their affairs, and giving them the benefit of our public services, it would only be a question of a few years until they would seek entry into our confederation, meanwhile aiding them to bring their public services up to a much higher condition of efficiency.

If the Canadian Government considers it quite impracticable at the present time to purchase Labrador, do you think it would be possible, with the aid of Great Britain, to make some arrangement for meeting the Island's deficits for a period of say three years, with an option in favour of Canada to take over Labrador, and then put into effect some constructive plan more or less along the lines of that in the final paragraph of my memorandum? The only alternative for Newfoundland is to default, and follow the plan referred to on page 3 of my memorandum.

Please understand that I am not attempting to lay down any definite opinions to be followed by the Commission in its Report. My object is to get the problem before you as fully as possible, as you may have an opportunity to go into the question with the Prime Minister of Great Britain when you meet him shortly in Washington. I understand you will be back in Ottawa towards the end of the month. While nothing is yet definitely settled as to my colleagues visiting Ottawa, I hope they will do so and that you will be able to give us an opportunity to go into this matter fairly fully with you.

Yours sincerely,

C. A. MAGRATH

947.

Mémorandum de la Commission pour Terre-Neuve
Memorandum by Newfoundland Commission

[Ottawa,] May 10, 1933

The Commission were appointed on the joint advice of H.M. Governments in the U.K., Canada and Newfoundland, and they are anxious that any recommendations which they may make should be such as would commend themselves to all three Governments.

The immediate problem is how to deal with the interest ($5,000,000) on the public debt of Newfoundland ($100,000,000) which is payable half-yearly on the 1st January and 1st July. Newfoundland, whose difficulties are largely due to reckless overborrowing in times of prosperity, was only saved from default last January by the action of the U.K. and Canadian Governments in arranging for a joint advance of $1,250,000 to enable the interest payments to be made. Since then, the revenue of the Island, in spite of greatly increased taxation, has continued to fall below the estimate, while expenditure, notwithstanding drastic economies, has been swollen by payments for able-bodied relief. The Government, assisted by a Controller of the Treasury lent from the U.K., have made a heroic effort to reduce the gap between incomings and outgoings, but it is clear from the Commission's enquiries that a further deficit of at least $1,750,000 is to be expected on the half year ending the 30th June. This sum cannot be raised from Newfoundland's own resources; no further internal borrowing is practicable; and unless assistance in some form or other is provided from outside, the Island will have no alternative but to default.

Various suggestions whereby default might be avoided have been considered by the Commission and it would assist them in framing their recommendations if they could be given some indication of how these suggestions would be regarded by the Canadian Government.

Newfoundland's only transferable asset is Labrador, a territory which in view of its geographical position as part of the Canadian mainland is doubtless of special interest to Canada. The suggestions which follow all relate directly or indirectly to the disposal of this territory, and may be briefly summarised as follows:

(1) A suggestion whereby Labrador would be transferred to Canada in return for the assumption by the Canadian Government of responsibility for 75 per cent. of the public debt of Newfoundland (viz., $75,000,000 involving annual payments of $3,750,000 which would be reduced as loans mature and are converted to lower rates). See Appendix I.[1]

[1] Non reproduit. [1] Not printed.

(2) A suggestion whereby Labrador would be transferred to Canada as part of a comprehensive plan for the entry of Newfoundland into the Canadian Confederation. (See Appendix II.[1]) The annual payments to be made by Canada would at the outset be the same as under (1) but would be reduced to $2,750,000 after five years, and would be further reduced as loans mature and are converted to lower rates.

(3) A suggestion whereby Newfoundland would make a full explanation to the bondholders and offer to exchange the existing bonds for new bonds bearing interest at 2 per cent., such bonds to run for 30-40 years and to be guaranteed by Canada. The scheme would be conditional on acceptance of the offer by 85 per cent. of the bondholders. In return for such a guarantee Labrador would be transferred to Canada, and the scheme would further provide for the maintenance of financial safeguards, including restrictions on further borrowing during the currency of the guarantee, and for the establishment by the Newfoundland Government in say 5 years time or as soon as conditions improved of a sinking fund at such rate not exceeding 1 per cent. as might be determined in consultation with the Canadian Government.

A scheme of this nature could not however be carried through before July and assistance to the extent of $1,750,000—$2,000,000 would be required to enable the interest charges falling due on the 1st July to be met.

948.

Le Premier ministre au président de la Commission pour Terre-Neuve
Prime Minister to Chairman of Newfoundland Commission

Ottawa, May 19, 1933

My dear Lord Amulree,

My colleagues and I are grateful for the presentation of the financial position of Newfoundland and the summary of possible solutions made in your statement of May 13th.

The inherent difficulties of the situation which have thus far deterred the Commission from making specific recommendations, and the fact that the Government of Newfoundland has not yet indicated the solution which it would prefer, render it inadvisable for the Government of Canada to offer any definite suggestions at this stage. We will of course be prepared to give immediate and sympathetic consideration to any proposals the Government of Newfoundland may care to make either to our Government direct or through your Commission.

Yours sincerely,

R. B. BENNETT

[1] Non reproduit.

[1] Not printed.

949.

Le membre canadien de la Commission pour Terre-Neuve au Premier ministre

Canadian Member of Newfoundland Commission to Prime Minister

CONFIDENTIAL May 26, 1933

Dear Mr. Bennett,

RE NEWFOUNDLAND

In view of the very critical position of the Island, faced as its Government is with obligations at the end of next month which it cannot possibly meet, the Commission concluded to lose no time in confidentially bringing to the attention of each of the Governments of the United Kingdom, Canada and Newfoundland, the financial position of the latter. I now beg to hand you a copy of the Royal Commission's Memorandum marked "secret" and dated the 20th instant.[1]

The gravity of the situation is such, that the Dominions Office in London may wish to discuss it with you on your arrival there, in order to determine what advice, if any, it wishes to give to the Government of Newfoundland respecting its policy in connection with interest payments shortly becoming due. Because of that possibility, it has occurred to me, you should have some views I hold as to immediate steps that should be taken on that Island, looking to the betterment of the condition of the people, as well as an opinion which I have so far refrained from discussing with any one, namely, the fairly reasonable grounds Newfoundland has for expecting some further substantial aid from the United Kingdom.

These are two interests in the Newfoundland problem—the bondholders and the people. While everything should be done that is possible, by going as far as practicable to meet the claims of the bondholders, equal if not more thought should be given to the welfare of the people—the great majority of whom I fear are more or less depressed to the point, that unless they see some evidence of a constructive policy they may lose all ambition, especially if the returns from the fisheries this season should not improve.

The majority of the people are scattered along the four thousand mile coast of the Island in a great number of communities of from fifty to five hundred people—with little or no real inter-communication. Those following fishing—the main industry—are employed but five or six months per year. With no domestic market, as for instance that which Great Britain affords to its fishermen, they cannot possibly escape reverses, more or less serious, from time to time, unless they at least cultivate garden plots and supply themselves therefrom with part of their living. It is understood that many families live where it is practically impossible to grow a few vegetables.

[1] Non reproduit. [1] Not printed.

I am rather concerned about the City of St. John's. It has I should judge at least a couple of thousand people in excess of its needs and certainly requires some reconstruction through a town planning agency. It may be possible to merge some of those small communities into the larger ones with improved opportunities to make a living. The use of the interior of the country for reindeer is worthy of consideration. The necessity of some capital expenditures for these purposes seems clear when it is realized that "able-bodied relief"—$1.80 per adult per month—this year will total fully $1,000,000 or four per cent on $25,000,000.

The situation calls for a very complete examination of the entire coast line in order to determine the actual condition of the people, and what should be done to advance their interests. As a Canadian I would say that before Canada should think of taking Newfoundland into our Confederation, we should have a clear understanding of the obligations we would be incurring. I am not looking at it from any selfish but rather a humanitarian point of view. I hold it would be to the advantage of Newfoundland to invite Canada to participate in a survey of the people of the Island, as Canada could furnish them from its public service two or three very capable men for that purpose, such as one engaged in that very difficult task of placing people back on the land—another experienced in the fishing industry, and there should be a medical doctor in the party as well.

As I injected the question of Confederation above, I should add in fairness to the people of Newfoundland that they neither wish to enter the Canadian family nor to dispose of Labrador. Nevertheless I believe before long, they will discover that their best interests lie with Canada.

The people of Newfoundland seem to think that Labrador means great wealth to them. I wish I could see it in that light. Unquestionably it has large areas of timber and may have very considerable mineral wealth, but nothing definite is known in that respect. It is a territory that, due to ice conditions, cannot be reached by water more than five or six months yearly. If I were looking at the situation from a purely business point of view, I would say that the interest on any figure that Canada should be willing to pay Newfoundland for Labrador, would yield greater returns to Canada if invested in protecting and improving its own forest areas.

I am unable to see where the Treasury of Newfoundland can obtain any great benefit from Labrador, unless the considerable wealth that may be necessary for its development comes out of the Island (which I gravely fear the people do not possess) with the profits returned to the investors and taxed with their other wealth. It is only necessary to look at Alaska to see what has happened there. The expenditures of the Government of the United States in Alaska from 1869 to 1931 inclusive, amounted to about $200,000,000, while the receipts in the same period were about $50,000,000. It is true the investments in Alaska in the way of mineral development, furs and fisheries, have brought vast returns to United States interests, and through them to the treasury of their country. I enclose a copy of a speech by Mr. Wickersham

of Alaska, in the House of Representatives in May, 1932, in which he discusses very fully the entire situation in that territory.

My opinion is that the United Kingdom has a responsibility to Newfoundland. It has supplied it with a Governor, and there has been a constant connection with the Island, first through the Colonial Office and latterly the Dominions Office. While the people are modest and unselfish, our attention was drawn when there to the fact that Great Britain forgave Allies in Europe of much of their debts to it at the close of the war in order to keep those nations from going under, while Newfoundland whole-heartedly entered the war, and came out with a capital expenditure of some $12,000,000, which has since been materially increased and now they find themselves very seriously embarrassed financially.

Please do not misunderstand me. I am not suggesting that the United Kingdom is attempting to evade any responsibility. That has not been its history and I am proud to say I believe it never will be, once it reaches a conclusion that it has a responsibility.

If the Government of Newfoundland defaults at the end of next month, and offers its security holders the reduced interest payment plan it contemplated before the United Kingdom and Canada came to its assistance last December, and drifts along hoping to work out of its difficulties alone, I am fearful there will be serious difficulties ahead for the Island.

The only alternative seems to be for the United Kingdom and Canada to work out if possible some plan by which they would be willing to make good any deficiency on the part of Newfoundland in meeting some materially reduced rate of interest on its bond issues for possibly three years. That period would allow a constructive policy to be well under way, also any reforms made effective in the Government services of the Island which the Royal Commission may regard as necessary, provided their recommendations meet with the approval of the people.

If some such programme as the foregoing could be carried out for say two or three years, Canada meanwhile taking a real interest in the welfare of the people by making its public service in a limited way available for the benefit of the Island, the people themselves would have a better idea at the end of that period as to their future; and my opinion is that they then would be desirous of entering the Canadian family.

Yours sincerely,

C. A. MAGRATH

950.

Le membre canadien de la Commission pour Terre-Neuve au Premier ministre
Canadian Member of Newfoundland Commission to Prime Minister

PERSONAL AND PRIVATE June 2, 1933

Dear Mr. Bennett,

It has occurred to me you should know that Mr. de Champlain appeared before the Newfoundland Commission in Montreal on the 24th ultimo. He

says that he knows Labrador, and that it has cost him $500,000 in the period which he claims he has been interested in it, incidentally adding that he expects to be repaid. He said that Canada is justified in paying $100,000,000 for Labrador, plus $10,000,000 to meet, I understand, possible claims arising from some difficulty about timber leases issued, as well as commitments by the Government of Newfoundland re leases not yet issued, and of which the Commission has been furnished no definite information. What I particularly wish to draw to your attention is his statement that the $110,000,000 is only about one-eighth of the Labrador's value. At times I had difficulty in following him, but I believe I am quoting him correctly.

In view of what has happened in the past, Canada's desire to bring Newfoundland into the Canadian family on a certain basis, while to-day unwilling to accept it on the same terms—assuming of course that the Island would be prepared to enter the Canadian Confederation—as well as the loose statements made by a few Canadians at odd times as to Labrador's great value, I think you should go to some trouble to clear up any misconception the United Kingdom may have re Canada's position in respect to Newfoundland and Labrador.

It at once raises two questions:

(1) Has Canada any responsibility to Newfoundland other than as a member of the British family, and our desire to have a prosperous neighbour?

(2) What liability, if any, has the United Kingdom to the Island? It appears to me that it has, though I appreciate it is about as difficult to determine the amount as it is to arrive at the value of Labrador.

If Newfoundland is to default and be allowed to work out its own salvation, it looks as if that should be made clear without loss of time, otherwise its security holders will probably hold back, pursuing a wait and see policy, thereby accentuating the Island's difficulties.

Should you contemplate going any farther in this matter, a policy that appeals to me is a three year plan, as for instance:

(*a*) A three months' investigation by competent men connected with the Public Services of Canada and Newfoundland to determine what capital expenditures, if any, are necessary to vitalize St. John's and those scattered fishing communities, and providing as far as practicable that such expenditures be a charge against the interests benefited.

(*b*) The Government of Newfoundland immediately make a frank statement to its security holders as to its financial position; that it has arranged for a three months' investigation looking to the betterment of conditions on the Island, when it is hoped the Government will be able to make a partial payment together with a definite proposal as to future payments.

(*c*) Providing the results from (*a*) are satisfactory and the amount of money is such as can be found, Canada and Great Britain to under-

take to make good any shortage in interest at the rate of say 2½ per cent during a testing-out period, say three years.

(*d*) The Legislature of the Island to give authority to the United Kingdom and Canada to create an advisory Board (the appointments being subject to the approval of the Government of Newfoundland) whose recommendation will be necessary before any measures bearing on revenue and expenditures become law. This is intended to be an enlargement on the powers of the present Controller of the Treasury.

At the end of the testing-out period, more will be known as to Newfoundland's capacity to work out of its difficulties, and if conditions then warranted, the Labrador question could be revived. If it resulted in an agreement between Canada and Newfoundland, I would say, in fairness to the bond-holders, it would seem reasonable [for] the United Kingdom,—especially if it has a liability to Newfoundland,—to lend its credit, in order that Canada may effect a conversion Newfoundland loan at the lowest possible rate of interest.

As for bringing Newfoundland into the Canadian Confederation my opinion is that that issue should not be forced. Let the Island collect its own revenues and pay for its own services. It would not be very long until the people themselves would seek entry into our Canadian family, thereby avoiding the question becoming a political issue in Newfoundland, which might happen if pressed upon the people.

Yours sincerely,

C. A. MAGRATH

951.

Le membre canadien de la Commission pour Terre-Neuve au sous-secrétaire d'État aux Affaires extérieures

Canadian Member of Newfoundland Commission to Under-Secretary of State for External Affairs

PERSONAL AND PRIVATE St. John's, June 18, 1933

Dear Dr. Skelton,

I sent you a cable tonight through the International Joint Commission. Herein is a copy.[1] I am afraid these people will have to be left alone until they find it necessary to come and ask Canada to dig them out of their difficulties. We are through taking evidence, and now contemplate visiting a few outports. I hope to reach Ottawa not later than the 30th instant.

Yours sincerely,

C. A. MAGRATH

[1] Non reproduite. [1] Not printed.

952.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 80 Ottawa, June 19, 1933

Following for Prime Minister. Begins. Magrath telegraphs from St. John's. Begins. Please advise Mr. Bennett if plan mine second instant should be considered believe finance and control should rest altogether with British Government to avoid any misunderstanding at end three year period especially if Canadian Government then conclude unwise take any responsibility. The more I hear about deplorable condition along coast more convinced I am Canadian Government should avoid any responsibility until have complete survey. Ends.

953.

Le Premier ministre au président de la Commission mixte
Prime Minister to Chairman of International Joint Commission

London, July 20, 1933

Dear Mr. Magrath,

I read your letter regarding Newfoundland with great interest.

I have discussed the question with the Chancellor of the Exchequer, as well as with Mr. Thomas. The Government of the United Kingdom consider that it is absolutely essential at this time that a British Dominion should not default and, as you know, took the necessary action to provide the money to pay the last half-year's interest, but they are concerned about the future and are anxiously awaiting the report of Lord Amulree.[1] I explained our case to them with great care and I think they quite appreciate the fact that we are not in a position to render the assistance we did last January. Champlain was here, I understand, but I believe he has gone back now. I told my Secretary to advise him that I saw no good purpose in his remaining in London for I did not propose to express any opinion about the acquisition of Labrador under existing conditions. Certainly, I do not think that any Canadian Government would ever consider paying $100,000,000 to extinguish the title of Newfoundland in Labrador.

I hope to see you before long.

Yours faithfully,

R. B. BENNETT

[1] A la suite du rapport Amulree, Terre-Neuve renonça à son statut de gouvernement autonome et la Grande-Bretagne, en assumant la responsabilité pour les finances, désigna une commission pour gouverner.

[1] Following the Amulree Report, Newfoundland gave up its self-governing status and Britain, assuming responsibility for the finances of Newfoundland, appointed a Commission of Government.

954.

Le ministre du Commerce au sous-secrétaire d'État aux Affaires extérieures

Minister of Trade and Commerce to Under-Secretary of State for External Affairs

Ottawa, December 29, 1933

Dear Dr. Skelton,

On November 10th last we submitted to Council through you a draft agreement for Newfoundland, which, owing to the disturbed conditions in that Dominion, it was impossible to bring to any conclusion.

Now that the system of government has been changed, and the new authorities have taken charge, perhaps it would be opportune now to reopen these negotiations.

Yours very truly,

H. H. STEVENS

955.

Le sous-secrétaire d'État aux Affaires extérieures au ministre du Commerce

Under-Secretary of State for External Affairs to Minister of Trade and Commerce

Ottawa, January 20, 1934

Dear Mr. Stevens,

I have your letter of December 29th suggesting that it would be opportune now to reopen the negotiations with Newfoundland for a Trade Agreement. I find that the new authorities have not yet taken over the conduct of Government. I shall, however, bring the matter to the Prime Minister's attention as soon as the Commission gets organized and takes over its functions.

Your sincerely,

O. D. SKELTON

956.

Le secrétaire d'État aux Affaires extérieures au gouverneur, Commission pour Terre-Neuve

Secretary of State for External Affairs to Newfoundland Governor in Commission

TELEGRAM Ottawa, December, 24, 1934

His Majesty's Government in Canada have learned with interest of the consolidation and revision of the Newfoundland customs tariff which have

been carried out by the Governor in Commission to take effect on the 1st January, 1935. They had hoped that advantage would have been taken of this reconstruction of the Newfoundland tariff to incorporate in it the principle consistently applied by His Majesty's Government in the United Kingdom, and followed very closely by the Canadian Government, of according to all other parts of the Empire any tariff preference that might be extended by agreement or otherwise to any one part of the Empire. In spite of the fact that Canadian and Newfoundland exports are not essentially complementary, the Canadian Government have for many years, and without requirement of reciprocity, granted to Newfoundland not only the benefits of the British preferential tariff but have, in a special section of the customs tariff, accorded fish and other products of the fisheries of Newfoundland free entry into the Canadian market. Under these circumstances His Majesty's Government in Canada would be glad to learn that the Government of Newfoundland were prepared to grant to Canadian goods the benefit of the preferential tariff.

Among the alterations in the Newfoundland customs tariff which may be expected to affect adversely the interests of Canadian exporters is the reduction of duty under Item 463 of men's and youth's long rubber boots from 44% ad valorem to free. Hitherto, although rubber boots imported from Canada and Japan have been subject to the same rate of duty, the practice of valuing Japanese goods for customs purposes at par of exchange ensured an appreciable advantage to Canadian exporters. It is feared by Canadian manufacturers that the abolition of customs duty on this tariff Item will lead to the transfer to Japan of a large share of the business in this kind of rubber footwear, which has been one of the chief classes of rubber footwear exported from Canada to Newfoundland. It is recognized that this tariff change has been made in order to reduce the cost to consumers of an article of necessity, but it is the hope of the Canadian Government that steps may be taken which may at the same time assure the retention within the Empire of the trade in these goods.

957.

Le gouverneur, Commission pour Terre-Neuve, au secrétaire d'État aux Affaires extérieures

Newfoundland Governor in Commission to Secretary of State for External Affairs

TELEGRAM St. John's, January 12, 1935

Your telegram 24th December. Commission of Government has given careful consideration to representations made, and having regard to very large quantity and value of annual importations into Newfoundland from Canada

(which are materially larger than those to Canada from Newfoundland) feel that cost of according to Canadian produce and manufacturers same preference as granted to Great Britain and Northern Ireland would be prohibited from the point of view of revenue unless a preference were granted by increasing existing tariff rates, a course which in view of low standard of living at present existing in Newfoundland and depressed conditions of fisheries, they regret would be impracticable. While it is true as stated in your telegram that Canada admits Newfoundland fish free of duty, similar preference to Canadian fish is granted by Newfoundland and in addition Canada has valuable rights of fishing round the coast of Newfoundland and calling at any Newfoundland port for bait and ice.

With regard to the abolition of duty on men's and youth's rubber boots, these boots are principally used by men engaged in Newfoundland fisheries and it is essential that cost of fisheries should be reduced to lowest possible limit to enable Newfoundland compete with other countries extensively engaged in this industry. The Commission accordingly trust that you will recognize their inability to accède to your request. It may further be remarked in this connection that a preference to Canada under this item would necessarily have to be extended to India and the Straits Settlements which it is understood are able to produce rubber boots at prices considerably lower than Canada.

NOUVELLE-ZÉLANDE/NEW ZEALAND

958.

Le Premier ministre au premier ministre de Nouvelle-Zélande
Prime Minister to Prime Minister of New Zealand

TELEGRAM 6 Ottawa, May 14, 1931

CONFIDENTIAL. Your telegram March 18. With reference to our several communications over recent months, the Government of Canada will be pleased to enter into negotiations with your Government for the purpose of completing a trade agreement between the two Dominions. In your confidential cablegram under reference you suggest reasonable concessions on New Zealand butter to maintain a more equitable balance of trade between the two countries. We would like to meet you in this connection but would point out that butter is a commodity which can only find a market in Canada when local production falls off due to varying causes and consequently market must always be more or less uncertain. Canada is now producing more than sufficient butter for domestic requirements and evidence of this is afforded by the fact that the current wholesale price today is nineteen cents per pound. Dairy production is likely to continue on a large scale but if circumstances arise where butter imports are necessary our Government is prepared to continue to give overseas Dominions decided preference.

May we point out that trade is actually on a more even and, we suggest, a more permanent basis than is sometimes considered. In this connection attention may be directed to the very large purchases of wool from New Zealand by Canadian manufacturers through Boston, New York, and London, which are not disclosed in the trade returns of either country. A very careful study by the Trade and Commerce Department discloses a large and steadily growing trade in New Zealand wool. I am further advised that direct purchases of wool from New Zealand by the manufacturers will equal in the near future the value of the butter trade hitherto done by New Zealand. Has not too little importance been attached by your country to the wool trade and overmuch importance to the butter trade? I beg to assure you that my Government will be most happy to enter into negotiations for a trade agreement at an early date.

BENNETT

959.

Le premier ministre de Nouvelle-Zélande au Premier ministre
Prime Minister of New Zealand to Prime Minister

TELEGRAM Wellington, May 26, 1931

CONFIDENTIAL. Your telegram of the 14th May. I much regret that the Canadian Government are unable to make any concessions on New Zealand butter. The New Zealand Government have attached the greatest importance to tariff treatment of this commodity in view of the fact that it has accounted for 80% of the value of New Zealand's exports to Canada, and has helped materially to reduce otherwise heavy adverse trade balance of this Dominion in respect to Canada. I am unable to understand your statement that direct purchases of wool from New Zealand by Canadian manufacturers will in the near future equal the value of former butter trade between New Zealand and Canada. In this connection I am advised,

(i) That importations of New Zealand butter into Canada in the year 1929-30 amounted to over thirteen and a half million dollars.

(ii) That during year ended March, 1930, the total Canadian importations of unmanufactured wool from all countries (including New Zealand) amounted to just over four million dollars, and that importation of such wool during last 9 months of 1930 showed a fall of more than 40% as compared with the corresponding period of preceding year. Even, therefore, if New Zealand were to provide whole Canadian imports of such wool it would not appear to be possible that the value could approach in the near future the value of New Zealand's former butter exports to Canada. It is agreed that there may be considerable purchases by Canada of New Zealand

goods through other countries; on the other hand there are considerable purchases by New Zealand of Canadian goods through other countries. The position generally appears to His Majesty's Government in New Zealand as follows:

(i) On the decision of the Canadian Government in April, 1930, to denounce the then existing arrangement under which New Zealand butter was allowed entry to Canada on the same terms as Australian butter, namely, 1 cent per pound, the New Zealand Government, after calling attention to the heavy balance of trade in favour of Canada, immediately agreed with suggestion (and has continued to urge) that direct negotiations should take place between the two Dominions and requested that matter be left *in statu quo* until conversations could be initiated.

(ii) As the Canadian Government were apparently unable to send a Minister to New Zealand for negotiations it was agreed that conversations should be opened during my presence in Canada in September en route to the Imperial Conference.

(iii) In the meantime, however, the Canadian Government thought it desirable to make effective the proposed increase in the tariff on New Zealand butter from 1 cent to 4 cents.

(iv) In addition, on day of my arrival in Ottawa, this rate of 4 cents was increased to 8 cents.

(v) Notwithstanding increase of 700% in Canadian tariff on New Zealand butter, Australian butter continued for a lengthy period to be admitted at the old rate of 1 cent a pound, and (it is understood) is still being admitted at a much more favourable rate than New Zealand butter.

(vi) It is understood also that the Canadian Government, in addition to this increased tariff rate on New Zealand butter, are imposing a dumping duty of a novel character if butter is sold or landed below a price arbitrarily fixed by the Canadian Government.

(vii) As direct result of these penal measures the export of butter from New Zealand to Canada has been almost completely terminated. The inference that New Zealand butter still enjoys benefits of British Preferential rate is clearly illusory, that rate having now been fixed at such a figure as to be prohibitive.

(viii) Conversations at Ottawa were entirely ineffective, the Canadian Government being unwilling to alter their increased tariff on butter and not yet in a position to enter into detailed tariff negotiations in general.

(ix) Further conversations in London were equally ineffective.

(x) Subsequent communications indicate that New Zealand Government's willingness to continue negotiations and their invitation to a

Canadian Minister to visit New Zealand for this purpose have led to no definite results.

(xi) More than 12 months have elapsed since the Canadian Government's notification of their intention to impose a prohibitive duty on New Zealand butter entering Canada. His Majesty's Government in New Zealand have at all times been willing and anxious to discuss in detail the trade relations between New Zealand and Canada, but in view of your reply of the 14th May to my telegram of the 18th March last, the New Zealand Government are forced to the conclusion that there is no immediate prospect of detailed negotiations or of any effective mitigation of unsatisfactory treatment of New Zealand butter in Canada.

(xii) Strong pressure has for years been brought upon His Majesty's Government in New Zealand to increase duty on many lines of Canadian goods of which more than sufficient for local requirements could be produced in New Zealand. These requests have consistently been refused on the ground that mutual sacrifices are necessary to develop inter-imperial trade. For similar reasons repeated requests to impose dumping duty on specific Canadian imports [have] been refused.

(xiii) His Majesty's Government in New Zealand are now, at a time when economic conditions in New Zealand are particularly difficult, faced with position that substantial remissions of duties are granted here to Canadian goods without corresponding advantages to New Zealand.

(xiv) The New Zealand Government are obliged to consider increased taxation to balance Budget and it will be impossible to maintain present position after 1st June.

(xv) His Majesty's Government in New Zealand therefore intend on that date to increase duty on many lines of Canadian goods, but so that remissions made here and resulting trade are not less than remissions now estimated to be made on New Zealand goods entering Canada and trade resulting therefrom.

(xvi) His Majesty's Government in New Zealand would still welcome early negotiations to end the present unsatisfactory position and as already advised would be happy to receive a Canadian Minister here for that purpose at the earliest possible date.

(xvii) In view of the fact that the New Zealand Government have at all times been anxious to enter into effective conversations on Canadian-New Zealand trade and of continued requests in New Zealand for information as to progress of negotiations, I propose to publish the text of this telegram on the 1st June.

FORBES

960.

Le Premier ministre au premier ministre de Nouvelle-Zélande
Prime Minister to Prime Minister of New Zealand

TELEGRAM 7 Ottawa, May 29, 1931

IMMEDIATE. CONFIDENTIAL. Your confidential telegram of May 26th, setting forth the view of your Government as to trade relations between our two Dominions, and which we note is intended to be published in New Zealand on June 1st, has been received. I regret that I cannot regard your summary as making adequate recognition of the endeavours we have made to come to a satisfactory and mutually beneficial Trade Agreement. Since assuming office we have sought every opportunity to confer with your Government and while in the short time at our disposal in Ottawa and London it was not found practicable to consider in detail possible bases of Agreement we then expressed and have since consistently maintained our willingness to enter at earliest possible date on definite negotiations. The action which you state you are contemplating cannot but have the effect of making it much more difficult to achieve the end which I am sure we both have in view.

May I point out your opening statement that the Canadian Government are unable to make any concessions on New Zealand butter does not accurately express the situation nor properly represent the views expressed in our cable of May 14th, and earlier telegrams. We simply set forth certain factors which must be taken into account, pointing out that domestic production of butter is increasing rapidly and that Canada is approaching an export basis. Proposals for specific concessions were not made as we have assumed that the proper time for such discussion would be at a Conference which we have suggested and for which we are continuing to press. This view we still hold. Moreover, in considering the exports of your butter to Canada, the abnormal situation of 1929-30 when Canadian production was comparatively low and immense quantities of New Zealand butter were being rushed to Canada to take advantage of the prevailing low rate of one cent per pound, cannot properly be taken as representative of normal trade conditions.

We assure you that you are mistaken in assuming that Canada applies penal measures to the trade of New Zealand. It must be recalled that Canada is today granting New Zealand its British preferential tariff rate on every product, which in the case of butter for example involves a tariff advantage of six cents a pound. New Zealand has already excluded Canada from its British preferential tariff rates on some of our most important exports. We are at a loss to understand on what ground of reciprocal action it is apparently now proposed to exclude still further Canadian products from your British preferential schedule. As regards the lower rate accorded by Canada to certain Australian products you are of course aware that this is due to the existence of a Trade Agreement between the Commonwealth and Canada,

an agreement which is at present being revised and extended in an endeavour to increase inter-Dominion trade.

Due to increased Canadian duties on woollen goods adopted in September, 1930, it is expected Canadian market for raw wool will be greatly enlarged. There is evidence of this in opening of six new woollen mills and reopening of four that had been closed as well as 35 per cent increase in number of woollen mill employees. Importation of greasy wool for six months following increased tariff two and quarter million pounds compared with two million pounds for corresponding months under former tariff. Importation of scoured wool increased from 2,400,000 pounds to 3,600,000 pounds. The trade estimates that Canada has a potential market for twenty-four million pounds of imported cross bred wool per annum.

The Canadian Government had hoped that if an earlier discussion did not prove practicable, the forthcoming Imperial Economic Conference at Ottawa would afford an opportunity for full discussion, and the conclusion of a definite agreement. It had contemplated if necessary sending a Minister to New Zealand. It is clear, however, that if the action which you forecast is carried out, our position will be one of great difficulty.

BENNETT

961.

Le premier ministre de Nouvelle-Zélande au Premier ministre
Prime Minister of New Zealand to Prime Minister

TELEGRAM Wellington, June 9, 1931

Your telegram of the 29th May. I regret very much that New Zealand Government have been unable to defer longer the action indicated in my telegram of the 26th May last and adumbrated in numerous former communications.

2. I note your statement that you are unable to regard summary contained in my telegram of the 26th May as making adequate recognition of endeavours of Canadian Government to come to a satisfactory agreement, and that since assuming office you have sought every opportunity to confer with New Zealand Government. Will you allow me to say in reply that any such efforts have not been apparent to New Zealand Government who retain impression that Canadian Government, having in effect prohibited importation of butter from New Zealand, have been in no haste to enter into definite negotiations. His Majesty's Government in New Zealand have not failed to note that two occasions on which they were prepared for these conversations, namely at Ottawa and at London, were allowed to pass without any attempt on the part of the Canadian Government to give detailed and effective consideration to the matter. Further, your telegram of the 14th May indicated no prospect of immediate negotiations and indeed it would now appear that Canadian

Government, notwithstanding New Zealand Government's anxiety to dispose of the question at an early date, contemplated the possibility of deferring conversations until meeting of proposed Economic Conference, which, at its earliest, would have rendered impossible the implementing of any consequent agreement until meeting of New Zealand Parliament in June, 1932.

3. I note with pleasure the indication which may, I think, be inferred from the second paragraph of your telegram that Canadian Government do not regard themselves as precluded from making a concession on New Zealand butter. Neither at Ottawa nor at London, nor indeed at any time subsequent, was I given any definite indication that such a concession could be made, and though my telegram of the 18th March last specifically notified the Canadian Government that action now taken could be postponed only if Canadian Government found such a concession to be possible, your reply of the 14th May gave no indication of anything beyond a "continuance" of preference. The New Zealand Government will, of course, be happy to learn, whenever Canadian Government consider the time appropriate, what concessions they propose to make.

4. His Majesty's Government in New Zealand cannot agree that an abnormal trade situation was created by the importation of New Zealand butter into Canada in 1929-1930 or that butter was, as suggested, being rushed into Canada to take advantage of prevailing low rate of 1 cent. The figures for that year indicate merely the progressive annual increase since New Zealand butter was placed upon an equal footing with Australian butter in 1925. Even, however, if situation could be regarded as abnormal the Canadian Government will no doubt have noted:

(*a*) That importations in no way amounted to dumping; New Zealand butter entered into normal competition with other (including domestic) butters on Canadian market after paying all freight and incidental charges from New Zealand and without any subsidy or bounty obtained or granted in New Zealand.

(*b*) That notwithstanding importation of New Zealand butter in 1929-1930 Canada still enjoys a balance of trade over New Zealand.

5. I note your contention that Canadian action in respect of New Zealand butter cannot properly be regarded as penal. You must allow His Majesty's Government in New Zealand to retain their belief that imposition of prohibitive tariff duty on New Zealand butter which was not imposed generally on all butter importations and which has had the effect of terminating the importation of New Zealand butter while stimulating importations of butter from another source may rightly be regarded as a penal measure. It may well be that Canada, as you state, is today granting its British Preferential rates on all products. Where, however, the British Preferential rate is not the lowest rate and is in itself prohibitive it is a matter of little moment what higher rates may be fixed. As you have already been advised the New Zealand Government can attach importance to preferential treatment of their products only

if and so far as this preferential treatment is capable of leading to actual trade, and as a further indication of attitude of the Canadian Government towards New Zealand trade I understand in new Candian Tariff an increase of 4 cents a pound has been imposed on New Zealand meat.

6. The New Zealand Government's action has not been taken as you assume on any special grounds of reciprocity, but as I have already explained on the ground that New Zealand Government are not disposed and indeed cannot afford to make remissions of taxation without corresponding advantages. It is their policy to encourage importation of goods from those countries which themselves are prepared to purchase New Zealand products. The New Zealand Government have, however, attempted to retain a true reciprocity with Canada by providing for a remission of customs duties on Canadian goods estimated to be at least equal to Canadian remission of customs duties on New Zealand goods.

7. I have noted with interest your comment with reference to Canadian purchases of wool and I trust with you that outlook in respect of this commodity is promising. I have observed, however, that even on your suggested potential importation of 24,000,000 pounds of wool and even assuming that a price of 9d. a pound (which is considerably above present market price) the value of that trade would be less than 1,000,000 pounds (sterling) per annum. This would scarcely seem to confirm your statement that direct Canadian purchases of New Zealand wool will in the near future equal New Zealand's former butter trade with Canada which, as you are aware, reached nearly three times that value in 1929-1930.

8. I appreciate difficult position created between the two Dominions. It is the view of His Majesty's Government in New Zealand that this difficulty is due solely to the action of the Canadian Government in taking drastic steps against New Zealand butter trade before any possibility of negotiations was afforded to the New Zealand Government, and to the Canadian Government's reluctance to enter into effective conversations. The difficulty is one which the New Zealand Government for their part are entirely willing to attempt to remove as soon as the Canadian Government find it possible to undertake definite negotiations to that end, and, as already advised, His Majesty's Government in New Zealand would welcome an early visit by a Canadian Minister for that purpose.

9. Finally may I point out that Session of New Zealand Parliament which opens at the end of this month will certainly be adjourned by November next and probably at an earlier date, and that, therefore, the implementing of any Agreement not completed in time for action at this Session would necessarily be delayed until Session which should normally commence in June, 1932.

10. I have no objection to publication of this telegram and I propose to publish here should circumstances render it desirable at a later date.

FORBES

962.

Le Premier ministre au premier ministre de Nouvelle-Zélande
Prime Minister to Prime Minister of New Zealand

TELEGRAM 13 Ottawa, August 14, 1931

Your telegram 12th August. With reference to your comments upon attitude of Canadian Government in discussion hitherto, I regret to note that your Government still appears to assume that inability of Canadian Government to undertake continuance of obviously inadequate duty on butter implied in some way an unwillingness to enter into negotiations for a general agreement in which a provision as to butter would find an appropriate place. It is not necessary to review the discussions which have already been set forth fully. I may, however, be permitted to make two observations on points raised in your present telegram. Your statement that in London no suggestion was communicated to you as to returning via Canada is noted with surprise, as Canadian Minister of Trade and Commerce definitely conveyed suggestion to your delegation. As regards the proposals made by New Zealand in 1928 for negotiation of a trade agreement, it may be added for completeness of record that while a visit by Minister of Customs for discussing trade arrangements was proposed by New Zealand on February 17th, 1928, and accepted on February 29th, 1928, by the Canadian Government, which suggested a conference immediately after prorogation of Parliament, no reply to the latter telegram was made by the New Zealand Government.

We note with pleasure your desire to enter into direct personal negotiations with the least possible delay, and shall take up the question of time and place as soon as suits the convenience of the New Zealand Government after the general elections.

BENNETT

963.

Le premier ministre de Nouvelle-Zélande au Premier ministre
Prime Minister of New Zealand to Prime Minister

TELEGRAM Wellington, November 19, 1931

Your telegram of the 17th November. New Zealand Government are glad to learn that arrangements made for the Honourable H. H. Stevens to meet our Minister of Customs in Honolulu to discuss Trade Agreement. New Zealand Elections are being held 2nd December and Minister could not very well leave before then. First vessel leaving New Zealand thereafter departs 15th December arriving at Honolulu about Christmas Day. Regret inconvenience to Mr. Stevens but would be obliged if he could arrange to meet our Minister there about the latter date. Please advise whether suggestion feasible.

FORBES

964.

Le Premier ministre par intérim au premier ministre de Nouvelle-Zélande
Acting Prime Minister to Prime Minister of New Zealand

TELEGRAM 17 Ottawa, November 25, 1931

Your telegram 19th November. I am glad to be able to inform you that Mr. Stevens has succeeded in making arrangements to meet your suggestion. He will sail Vancouver 19th December arriving in Honolulu Christmas Day.

965.

Le Premier ministre au premier ministre de Nouvelle-Zélande
Prime Minister to Prime Minister of New Zealand

TELEGRAM 6 Ottawa, March 11, 1932

The Canadian Government have been giving fullest consideration to the draft trade Agreement prepared by your Minister of Customs and our Minister of Trade and Commerce. We fully share the desire of your Government to conclude at the earliest possible time an arrangement which will be of mutual advantage to our trade and assist in the movement towards closer economic relations throughout the Empire.

2. As the Imperial Economic Conference approaches, it becomes evident that the view is widely held in the various parts of the Empire and not least in the United Kingdom that the whole policy of inter-Imperial trade relations should be reviewed at the Conference. The view has been expressed that the conclusions of the Conference may lead to the adoption of certain general policies of trade relationship which might involve re-adjustment of existing agreements.

3. We have been considering as one possibility that the simplest procedure would be to accord concessions by changes in the tariff laws of each country rather than by the conclusion at this time of a definitive Trade Agreement. We would be prepared to make changes in our tariff granting New Zealand our complete British Preferential Tariff, and in addition reduce the rate on New Zealand butter to 5 cents per pound, in return for legislative action by New Zealand granting Canada its British Preferential Tariff except on those articles on which the draft agreement does not provide for such treatment. This legislation might become effective March 31st and would remain in effect for one year unless earlier replaced by a definitive Trade Agreement. I may add that it is contemplated that a substantial rate will be placed on wool under Intermediate and General Tariffs and on hides under General Tariff, British Preferential remaining free. In accordance with custom exact rates will not be available till budget is brought down.

4. If course suggested does not commend itself to your Government we would be prepared to accept the draft Agreement, with the following modification in Article 1 Section I(a) to bring it more into conformity with Article 2 Section I(a), "provided that such rates shall in no case be higher than the rates chargeable on similar goods under the British Preferential Tariff of Canada." We would further be prepared to bring the Agreement before Parliament immediately for approval but suggest it should be limited in its duration under Article 10 definitely to one year. The purpose of above proposals is to permit full discussion of a definitive Trade Agreement at Ottawa at the time of the Imperial Economic Conference and to ensure that such definitive Trade Agreement will be in accord with the policies and principles for the development of intra-Empire trade which may be agreed upon at the Conference. In any event, the draft Agreement upon which so much excellent work has been done will, we assume, be the basis on which Agreement will be made.

5. Events are moving very rapidly. We are most anxious to complete promptly trade Agreements of mutual advantage but equally desire to do nothing that may restrict action at what promises to be a most vital Imperial Conference. We shall be glad to learn the views of your Government on these proposals.

R. B. BENNETT

966.

Le premier ministre de Nouvelle-Zélande au Premier ministre
Prime Minister of New Zealand to Prime Minister

TELEGRAM Wellington, March 21, 1932

URGENT. Your telegram 11th March concerning Trade Agreement. The New Zealand Government regret that your Government cannot see their way to approve Agreement as drafted. We also regret that we are unable to adopt proposal in paragraph 3. As regards the alternative course mentioned in paragraph 4, the New Zealand Government, being anxious to develop closer trade relations between our two countries, is willing that Agreement as initialled should be brought into force for 1 year with modification of Article I suggested by you, on the understanding, firstly, that as imposition of duties on wool, hides and skins under Intermediate and General Tariffs cannot be made to synchronise with ratification of the Agreement and actual rates must naturally remain undisclosed, meanwhile it would be preferable to leave these items out of the Schedule and that motor cars should remain at the present rates now in force pending Ottawa Conference when these particular items could be further dealt with, secondly, that the whole Agreement will be reviewed at the time of the Ottawa Conference, and thirdly, that owing to the limited period during which the Agreement may operate the New Zealand Government could not be expected to disturb existing trade relations with the Straits Settlements by increasing duties on rubber soles, canvas footwear. If you agree, kindly advise, firstly, alterations you suggest in Article X,

and secondly, when Agreement can be signed by your Government. Assume that one copy will be signed at Ottawa and posted to me and another signed here on the same date and posted to you and that as soon as possible after this is done Agreement can be brought before Parliament for ratification on a date to be arranged by telegram. I may say that traders representing Canadian imports to New Zealand are clamouring for urgent finalising of Agreement as foreign countries are steadily replacing them in supplying New Zealand.

FORBES

967.

Le Premier ministre au premier ministre de Nouvelle-Zélande
Prime Minister to Prime Minister of New Zealand

TELEGRAM 12 Ottawa, April 21, 1932

IMMEDIATE. Your telegram April 19. Canadian Government learn with pleasure of decision of your Government to conclude Trade Agreement immediately. Stevens and myself will sign Agreement Saturday, April 23rd. We will arrange to introduce it in Parliament Wednesday April 27th. These dates are suggested because of considerations of parliamentary procedure. We trust it will suit your convenience to adopt the same dates.

R. B. BENNETT

968.

Le premier ministre de Nouvelle-Zélande au Premier ministre
Prime Minister of New Zealand to Prime Minister

TELEGRAM Wellington, April 23, 1932

My telegram 22nd April. Trade Agreement signed today, both copies posted. Trust Agreement will assist in developing trade between our two countries and in encouraging Imperial economic co-operation.

FORBES

POLOGNE/POLAND

969.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 143 Ottawa, April 29, 1931

Sir,

With reference to your predecessor's despatch, Canada No. 72, of February 4th, 1930, enclosing a copy of a Note from the Polish Ministry for Foreign Affairs, regarding negotiations for a Convention of Commerce between Canada and Poland, I have the honour to inform you that the draft

Convention under reference has been considered by the Canadian Government, and that matters of detail in connection therewith have been discussed from time to time with the Polish Consul-General for Canada. Though not at present in a position to proceed with the conclusion of the proposed Convention, the Canadian Government are continuing to accord the subject their careful consideration, and hope to be in a position shortly to send a definite reply.

The Canadian Government desire to express their appreciation of the action of the Polish Government in withholding the application of the Polish Maximum Tariff rates to Canadian goods, pending the conclusion of a Convention.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

970.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 33 Ottawa, June 7, 1934

Negotiations have been proceeding for some time with Poland for the conclusion of a Convention of Commerce and it now appears possible that a Convention will be ready for signature shortly. It is therefore desired that His Majesty may be humbly moved to issue letters patent to the Right Honourable Richard Bedford Bennett, Prime Minister, Secretary of State for External Affairs and President of His Majesty's Privy Council for Canada, and to the Honourable Henry Herbert Stevens, Minister of Trade and Commerce, appointing them Plenipotentiaries in respect of the Dominion of Canada with full power to sign a Convention of Commerce with Poland. Draft will be sent by early mail.

971.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 13 Ottawa, February 14, 1935

Your despatch No. 238 June 15th, 1934 transmitting Full Power empowering myself and the Honourable H. H. Stevens, Minister of Trade and Commerce, jointly and severally to sign in respect of Canada the Convention of Commerce with Poland. I should be obliged if a new Power could be issued for myself and the Honourable Richard Burpee Hanson, who has succeeded Mr. Stevens as Minister of Trade and Commerce. Details of draft convention have been the subject of further negotiation and I anticipate that copy can be sent you next week.

972.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

DESPATCH 183 Ottawa, July 11, 1935

Sir,

I have the honour to transmit herewith a print of the Convention of Commerce between Canada and Poland which was signed at Ottawa on the 3rd day of July, 1935.

This print has been prepared with the same type as was used for the Convention of Commerce as signed; the only addition being the signatures of the plenipotentiaries and their seals. It was prepared for the purpose of being embodied in the Instrument of Ratification and a certificate to the effect that it is a true copy is endorsed on the print.

I have the honour to inform you that His Majesty's Government in Canada request that His Majesty may be humbly moved to ratify this Convention of Commerce in respect of Canada and that the Instrument of Ratification may be forwarded to H. B. M. Ambassador at Warsaw to be exchanged there pursuant to the provisions of Article 20 of the Convention.[1]

Prints of the Convention of Commerce have been forwarded to the High Commissioner for the United Kingdom for transmission to you for the information of His Majesty's Government in the United Kingdom.

I have etc.

O. D. SKELTON
for the Secretary of State
for External Affairs

AFRIQUE DU SUD/SOUTH AFRICA

973.

Le secrétaire d'État aux Affaires extérieures au premier ministre d'Afrique du Sud
Secretary of State for External Affairs to Prime Minister of South Africa

TELEGRAM 25 Ottawa, September 15, 1932

IMMEDIATE. Canadian Parliament is being summoned to meet October 6th and will be invited to approve Trade Agreements to which Canada is a

[1] L'échange des ratifications n'eut lieu que le 31 juillet 1936.

[1] The exchange of ratifications did not take place until July 31, 1936.

party entered into at Imperial Economic Conference. Canadian Government consider that publication of Agreements should be made simultaneously by both parties to each Agreement. At the request of His Majesty's Government in the United Kingdom, it has been arranged to publish text of Canada-United Kingdom Agreement October 13th. Would it meet your convenience to publish text of Canada-South African Agreement on same date?

974.

Le premier ministre d'Afrique du Sud au secrétaire d'État aux Affaires extérieures

Prime Minister of South Africa to Secretary of State for External Affairs

TELEGRAM 16 Pretoria, September 16, 1932

Your telegram 15th September, No. 25. It will be quite convenient for His Majesty's Government in the Union of South Africa to publish text of Canada-South African Agreement on the 13th October.

975.

Décret du Conseil

Order in Council

P.C. 1304 June 29, 1933

The Committee of the Privy Council have had before them a joint report, dated 23rd June, 1933, from the Acting Secretary of State for External Affairs and the Acting Minister of Finance, representing, with the concurrence of the Acting Minister of National Revenue, that it has been arranged with the Government of the Union of South Africa that the Trade Agreement between Canada and the Union of South Africa signed at Ottawa on the 20th day of August, 1932, shall be brought into force on the 30th day of June, 1933.

The Minister, with the concurrence of the Acting Minister of National Revenue, therefore recommends that a proclamation do issue declaring that the Trade Agreement between Canada and the Union of South Africa signed at Ottawa on the 20th day of August, 1932, shall come into force and take effect on the 30th day of June, 1933.

The Committee advise that a proclamation do issue accordingly.

976.

Le premier ministre par intérim d'Afrique du Sud au secrétaire d'État par intérim aux Affaires extérieures

Acting Prime Minister of South Africa to Acting Secretary of State for External Affairs

TELEGRAM Capetown, May 7, 1935

Under the new Customs Act which provides for maximum, intermediate and minimum duties, Union Government contemplate granting intermediate tariff to countries on diverse items as a result of negotiations. As soon as such agreements are concluded maximum tariff will be applied to all countries not having most favoured nation treatment agreements with the Union. Customs Act safeguards all preferential margins granted to members of the Commonwealth, but in the absence of most favoured nation treatment agreements, maximum tariff will be applied also to goods specified in agreements with other countries, coming from members of the Commonwealth.

To prevent them being prejudiced in regard to goods not on preferential list, Union Government prepared by formal exchange of notes on basis of reciprocity to provide for intermediate tariff to apply to non-preferential goods coming from members of the Commonwealth whenever maximum is brought into force.

Matter is one of urgency as Union contemplates according Italy intermediate tariff shortly on cotton piece goods, woollen piece goods, woven or knitted, mixed piece goods (containing 50% or more of artificial silk) new hats, caps and bonnets of wool, felt, hair, straw and other vegetable fibres, glassware, citric and tartar acids, beads.

977.

Le secrétaire d'État par intérim aux Affaires extérieures au premier ministre par intérim d'Afrique du Sud

Acting Secretary of State for External Affairs to Acting Prime Minister of South Africa

TELEGRAM 91 Ottawa, May 17, 1935

Canadian Government is prepared to carry out, by formal Exchange of Notes, suggestion in your telegram of May 7th, which we understand as follows: Canada would undertake to extend to South African goods, other than those provided for in Trade Agreement of 1932, lowest rates of Customs duty applicable to similar goods imported from any foreign country, in return for grant to Canadian goods, other than those covered in Trade Agreement,

of lowest rates of Customs duty applicable to similar goods imported from any foreign country.[1]

RHODÉSIE DU SUD / SOUTHERN RHODESIA

978.

Le sous-secrétaire d'État aux Affaires extérieures au premier ministre de Rhodésie du Sud

Under-Secretary of State for External Affairs to Prime Minister of Southern Rhodesia

Ottawa, August 31, 1932

Dear Mr. Moffat,

I was very sorry not to be able to locate you at the train when you were leaving Ottawa. The crowd was so great I was unable to catch even a glimpse of you. I should have liked to wish you a pleasant voyage and safe return to Southern Rhodesia and also to have delivered to you a copy of the Trade Agreement signed that morning. I was shortly after called away by the death of a near relative in the United States, and have but now returned.

On reading over the Trade Agreement more leisurely I notice that, due to the rapidity with which it, in common with a number of the other Agreements, was drafted, the first page did not accurately set forth the understanding reached between Mr. Stevens, the Minister of Trade and Commerce, and yourself, since it did not make any provision for maintaining the tariff preferences at present accorded, and would, as it stood, have resulted in severely restricting, rather than extending, the tariff preferences between Canada and Southern Rhodesia. Accordingly, at Mr. Stevens' request, I have had the first page of the Trade Agreement rewritten in order to correct this omission. I trust it will meet with your entire approval.

I may add that Mr. Stevens stated that it was his understanding that the tariff concessions accorded to Southern Rhodesia under the Trade Agreement will be granted even though the goods are shipped through the Portuguese port of Beira. In order to arrange this it will be necessary, by an Order-in-Council of the Canadian Government, to somewhat extend the present customs interpretation of direct shipment, and may entail a change in the Act governing it. I may add, however, that the Department of National Revenue has already under consideration the terms of the Order-in-Council or any necessary legislation.

Sincerely yours,

O. D. SKELTON

[1] La note de l'Afrique du Sud portait la date du 2 août 1935 et celle du Canada, du 31 août 1935.

[1] The South African note was dated August 2, 1935, and the Canadian note was dated August 31, 1935.

979.

Le premier ministre de Rhodésie du Sud au secrétaire d'État aux Affaires extérieures

Prime Minister of Southern Rhodesia to Secretary of State for External Affairs

TELEGRAM Salisbury, November 10, 1932

Your telegram of the 7th November. Under provision of law passed last Session of Southern Rhodesian Parliament, Trade Agreements concluded at Ottawa between Canada and Southern Rhodesia and the United Kingdom and Southern Rhodesia were brought into force in this Colony on the 13th October last and the necessary alterations and amendments to Customs Tariff brought into force the same day. I should be glad to be informed if your Government has now taken such action as may be necessary to give effect to undertaking that products of Rhodesia may be shipped through port of Beira without loss of preference.

980.

Le secrétaire d'État aux Affaires extérieures au premier ministre de Rhodésie du Sud

Secretary of State for External Affairs to Prime Minister of Southern Rhodesia

TELEGRAM Ottawa, November 12, 1932

Your telegram November 10th. Bill to implement Canada-Southern Rhodesian Trade Agreement passed second reading in House of Commons November 7th. As soon as it has passed Senate and received assent will cable you respecting date on which it shall come into force in accordance with Article IV.[1]

Section 3 of the Bill provides as follows: "After the said Agreement is brought into force, and so long as it remains in force, goods, the produce or manufacture of Southern Rhodesia, conveyed, without transshipment, from a port of any British country enjoying the benefits of the British Preferential Tariff, or any lower tariff, or from the nearest seaport accessible to Southern Rhodesia, into a sea, lake or river port of Canada, shall be admitted to Canada at the rates of duties provided in the said Agreement."

Our customs authorities state that this provision will permit Southern Rhodesian products to enjoy tariff preferences on importation into Canada even though shipped via Beira.

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[1] L'accord entra en vigueur le 2 janvier 1933.

[1] The Agreement came into effect on January 2, 1933.

ESPAGNE/SPAIN

981.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 48 London, April 18, 1931

CLEAR THE LINE MESSAGE. SECRET. His Majesty's Ambassador at Madrid reports that urgent note has been received from the new Spanish Government requesting that recognition may be accorded to them as Provisional Government of Spain. His Majesty's Ambassador states that his French colleague has already received instructions from his Government to address note according such recognition to the Spanish Government forthwith. Reply is being sent today to Sir G. Grahame instructing him to acknowledge the receipt of note and to inform Spanish Government that in accordance with their desire he immediately took steps for communication of its contents to His Majesty's Governments in the United Kingdom and the Dominions: that a definite reply will be sent to the Spanish Government as soon as possible and that in the meantime he is authorized to transact such day to day business as may be required on an unofficial basis.

So far as His Majesty's Government in the United Kingdom are concerned, we are prepared to inform the Spanish Government that we recognise them as Provisional Government of Spain. Question of full recognition will only arise later.

If a similar course were in accordance with the wishes of His Majesty's Governments in the Dominions, appropriate procedure would appear to be that note to the above effect should be addressed to the Spanish Government by His Majesty's Ambassador at Madrid in the names of His Majesty's Governments in the United Kingdom, Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa and the Irish Free State.

It will be appreciated that, especially in view of French Action, matter is extremely urgent and we should accordingly be grateful for expression of views of His Majesty's Governments in the Dominions, if possible by Monday, April 20th.

982.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 61 Ottawa, April 18, 1931

STATE SECRET. Your telegram Circular B.48 of the 18th April. His Majesty's Government in Canada concur in proposal to accord recognition to Spanish Government as Provisional Government of Spain.

983.

Le secrétaire aux Dominions au secrétaire d'État aux Affaires extérieures
Dominions Secretary to Secretary of State for External Affairs

TELEGRAM B. 50 London, April 20, 1931

CLEAR THE LINE MESSAGE. STATE SECRET. My telegram of the 18th April, Circular B.48, Secret, Spain. It has now been ascertained that action taken by French Government was intended to imply complete recognition of new Government, their view being based on consideration that the King, though not abdicating, voluntarily remitted his powers to the late Government, who voluntarily transferred them to present Government, and that change is as constitutional as circumstances permit inasmuch as no Cortes at present exists just as none existed under late régime to confirm change.

Similar action has been taken by a number of powers, including Portugal.

In the circumstances, we have come to the conclusion that there would be no advantage in deferring until a later stage full recognition, especially having regard to present cordial relations with Spain. If His Majesty's Governments in the Dominions concur it is proposed that Spanish Government should be informed by His Majesty's Ambassador at Madrid on behalf of His Majesty's Governments in the United Kingdom, Canada, the Commonwealth of Australia, New Zealand, Union of South Africa, and the Irish Free State, that these Governments recognize the new Government, using such titles as new Government may have adopted for itself.

We should be grateful for immediate reply if possible by morning of the 22nd April.

984.

Le secrétaire d'État aux Affaires extérieures au secrétaire aux Dominions
Secretary of State for External Affairs to Dominions Secretary

TELEGRAM 62 Ottawa, April 21, 1931

CLEAR THE LINE. STATE SECRET. Your telegram Circular B.50 of 20th April. Spain. We concur in proposal for immediate full recognition.

985.

Le secrétaire d'État aux Affaires extérieures à l'ambassadeur de Grande-Bretagne en Espagne
Secretary of State for External Affairs to British Ambassador in Spain

TELEGRAM Ottawa, May 28, 1935

Canadian Motor Car Manufacturers report Canadian automobiles are being subjected for months of May and June to quota only one-tenth that

of shipments during corresponding period of last year whereas other countries, notably United Kingdom and Germany, are accorded quotas equivalent to their entire shipments during corresponding period of last year. Would appreciate if you could verify this information and, if correct or substantially correct, make representations on behalf of His Majesty's Government in Canada against application of unfair quota (which we consider is entirely unjustifiable) pointing out that Spanish goods are enjoying in Canada benefit of most-favoured-nation treatment and that no quota is being imposed on any Spanish goods by Canada.

986.

L'ambassadeur de Grande-Bretagne en Espagne au secrétaire d'État aux Affaires extérieures

British Ambassador in Spain to Secretary of State for External Affairs

Madrid, June 28, 1935

Sir,

I have the honour, with reference to my telegram of to-day's date, to transmit to you herewith translation of the *Note Verbale* which I have received from the Spanish Ministry of State in reply to the representations which I made on receipt of your telegram of the 28th May concerning the quota allotted to motorcar exports of Canadian origin.

I have etc.
GEORGE GRAHAME

[PIÈCE-JOINTE / ENCLOSURE]
NOTE VERBALE

TRANSLATION

No. 194

The Ministry of State presents its compliments to the British Embassy and, in reply to its Note Verbale No. 188 of the 3rd instant, has the honour to state that the Spanish Government, in fixing the imports of Canadian automobiles at 10% of its imports for a similar period of the previous year has been guided by the fact that the most-favoured-nation clause is not applicable to the régime of quotas in virtue of the provisions in force in regard to that régime. It has also taken into account the development of Spanish-Canadian exchange of goods which shows a chronic deficit against Spain, all of which circumstances prevent the Spanish Government from according more benevolent treatment to Canada.

Hitherto the Spanish Government, in fixing quotas which might be of interest to Canadian exporters, has managed to concede so far as possible

quotas equal to the habitual amount of Canada's exports, but the grave economic situation arising from the continued existence of a considerable deficit both in the commercial balance and in the balance of payments compels the Government of the Republic to develop the quota policy to the fullest degree and to find itself unable to comply with the wishes of the Government of Canada in so far as regards the quota of motorcars.

The Spanish Government hopes that the Government of Canada will appreciate the reasons for this procedure and will consequently refrain from adopting measures against Spanish exports, the only result of which would be to aggravate still further the deficit against Spain and the interchange of Spanish and Canadian commercial products. Further, the Spanish Government considers that it should be possible at any time to reach an understanding between the two countries which would permit a reciprocal increase in the exports of genuine products of the two countries.

Madrid, June 25, 1935

987.

Le secrétaire d'État aux Affaires extérieures à l'ambassadeur de Grande-Bretagne en Espagne

Secretary of State for External Affairs to British Ambassador in Spain

Ottawa, July 30, 1935

Sir,

I have the honour to acknowledge the receipt of your communication of June 28th transmitting a translation of the Note Verbale received from the Spanish Ministry of State in reply to the representations made, through His Majesty's Embassy, by the Canadian Government in their telegram of May 28th concerning the quota allotted to motor cars of Canadian origin, and wish to thank you for your co-operation in the matter.

The reply of the Spanish Ministry of State in their Note Verbale under reference raises some points which appear to require further consideration and discussion. In the opinion of the Canadian Government the Spanish contention that the most-favoured-nation clause is not applicable to quotas is difficult to justify in view of the express provisions of Article VII of the Treaty of Commerce and Navigation between the United Kingdom and Spain of October 31st, 1922, to which Canada is a party. This article provides as follows:

> No prohibition or restriction shall be maintained or imposed on the importation of any article the produce or manufacture of the territories of either of the contracting parties into the territories of the other, from whatever place arriving, which shall not equally extend to the importation of the like articles being the produce or manufacture of any other foreign country.

> The only exceptions to this general rule shall be in the case of the sanitary or other prohibitions occasioned by the necessity of securing the safety of persons, or of cattle, or of plants useful to agriculture, and of the measures applicable to the territories of either of the contracting parties to articles enjoying a direct or indirect bounty in the territories of the other contracting party.

In this connection it is desired to point out that under this Treaty Spanish goods are accorded the benefits of most-favoured-nation treatment in Canada, i.e., the rates of the Intermediate Tariff, which are very considerably lower than the General Tariff, and on a wide range of products the special rates lower than the Intermediate Tariff accorded to particular countries as a result of treaty negotiations. Spanish products, moreover, are not subjected to any import quotas whatever in Canada.

The Canadian Government appreciates the difficulties arising from the deficit in the commercial balance and in the balance of payments to which the Spanish Government refer. They cannot regard, however, the establishment of a quota for Canadian motor cars at ten per cent of the imports for a similar period of the previous year as a satisfactory one or as constituting fair and equitable treatment for Canadian motor cars, more especially when, as they are informed, quotas of one hundred per cent are accorded to the United Kingdom, the United States and Germany.

It is true that for the past three years Canadian exports to Spain have considerably exceeded Spanish exports to Canada. During the past half century Spanish exports to Canada have, with the exception of a very few years, greatly exceeded Canadian exports to Spain. The Canadian Government, however, have never raised any objection to this situation nor ventured to penalize Spanish products for the disequilibrium. Moreover—and to this fact the Canadian Government attach great importance—both Germany and the United States also exported more to Spain during the past three years than Spain exported to them and in the case of the latter country the disparity is both absolutely and relatively greater than in the case of Canada. The Canadian Government trust, therefore, that after reviewing the situation and giving consideration to these circumstances the Spanish Government will be prepared to make some addition to the extremely restricted quota now accorded to Canadian motor cars.

There is a further consideration in connection with the quota situation which the Canadian Government desire to bring to the attention of the Government of Spain. When the Decree was promulgated on May 22nd last limiting the Canadian quota to ten per cent of the amount imported in the corresponding period of 1934 Canadian factories had unfilled orders from their agents in Spain amounting, we are informed, to 372 passenger motor cars. All the material required to build these cars had been ordered and they were in various stages of manufacture when the quota was applied. These passenger cars being specially built for Spanish requirements differ in many substantial respects from those intended for the domestic or for other export markets. It would not be practicable, therefore, to dispose of them in any other market than the Spanish market without a very substantial financial loss.

We do not believe that the Spanish Government desire to inflict such loss on Canadian industry without giving ample notice, and request that special consideration be given motor cars which were in process of manufacture specially for the Spanish market when the quota was imposed.

On the broader question which has been raised by the Spanish Government in their Note under reference respecting negotiations with a view to increasing, on a reciprocal basis, the trade between the two countries, I may say that the Canadian Government are prepared at any time to take part in such negotiations and to accord full and sympathetic consideration to any proposals which the Spanish Government may desire to make.

I should be grateful if you could bring the position above set forth to the attention of the Spanish Government.

I have etc.

R. B. BENNETT

988.

Le secrétaire d'État aux Affaires extérieures au Haut commissaire
Secretary of State for External Affairs to High Commissioner

TELEGRAM 222 Ottawa, November 30, 1935

Referring to High Commissioner's letter of 2nd October transmitting enquiry from Spanish Government respecting possibility of opening commercial negotiations.

Canadian Government are now prepared to consider question of Commercial Treaty with Spain and to send representatives to Madrid for that purpose.

You should request His Majesty's Government in the United Kingdom to convey foregoing reply to Spanish Government and inform them that Mr. A. B. Muddiman, Canadian Government Trade Commissioner, will be instructed to proceed to Madrid where he will be available for preliminary conversations with Spanish officials with a view to negotiation of Commercial Treaty.[1]

[1] Des instructions à cet effet furent télégraphiées le 3 janvier 1936.

[1] Instructions to this effect were telegraphed on January 3, 1936.

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