FRANCE

EFFORTS TO SECURE RATIFICATION BY FRANCE OF THE CONVEN-
TION BETWEEN THE UNITED STATES AND FRANCE ON DOUBLE
TAXATION, SIGNED AT PARIS, APRIL 27, 1932

811.512351 Double/179a: Telegram

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

WASHINGTON, January 27, 1934—4 p.m.

41. We have been giving careful consideration to certain of the
suggestions you expounded orally in Washington for improving
Franco-American relations, but feel that they do not sufficiently take
into account the sentiment existing in this country with regard to
many of the French trade policies and particularly to the French
Government’s failure to push the ratification of the double taxation
treaty. It would therefore be of interest to receive any intimations
you may be able to give as to French intentions in this matter.

HULL

811.512351 Double/184

Memorandum by the First Secretary of Embassy in France (Howell)

On February 20th, I called to see M. Campana, at the Foreign
Office with regard to the French ratification of the double taxation
convention. I showed him a recent extract from Time, the American
weekly magazine, to the effect that there had been included in the gen-
eral tax legislation by the House of Representatives a provision author-
izing the President, in his discretion, to increase by 50% income taxes
on any foreign corporations whose native countries impose discrimina-
ting taxes on American companies. It was stated in the article that the
act was retaliation against France on account of its double taxation.
M. Campana had already informed himself about this legislation and
on February 1st the Foreign Office officially communicated this infor-

1 For text of convention and protocol, see Foreign Relations, 1932, vol. II, p. 268.
2 Copy transmitted to the Department by the Ambassador in France in his
despatch No. 678, March 1; received March 15.
3 César-Rizio Campana, Minister Plenipotentiary and head ad interim of the
commission tripartite des économies.
4 See 48 Stat. 680, 703.
mation to the Ministry of Finance. There is no question but what this proposed retaliatory tax legislation in America is of considerable concern to the Foreign Office, and will be of much importance in obtaining French ratification of the double tax convention.

As is his custom, M. Campana was very frank in his discussion of this entire question with me. He said that all the permanent officials at the Ministry of Finance were against the ratification and he suggested that certain alterations be made in the treaty. To this I replied that I was reasonably certain that the United States Government would not agree to any alterations; that we felt that France was morally obligated to ratify, and that failure to ratify or to take action at this time, coming on top of debt default, would aggravate the bad feeling existing generally in the United States against France.

I reminded him that, besides important concessions regarding trade matters, the United States had given to France in the convention the following tax advantages:

(a) Important exemptions from the United States income tax for French enterprises;
(b) A prompt and definite method of assessing local branches of American enterprises in France;
(c) Greater rights than under present French law for the prevention of tax evasion of American companies; and,
(d) Protection, should the case arise, of French enterprises against extraterritorial taxation.

The substance of the Department’s telegram No. 41, January 27, 4 p.m., was also made known to M. Campana.

After nearly an hour’s conversation, in which I brought forward very strongly and emphatically the American position, at my suggestion, M. Campana and I went down to see M. Rochard, chef de cabinet of M. Barthou. I had discussed the matter the previous day with M. Rochard. As a result of this conversation, these two gentlemen agreed that a note should be sent immediately by the Ministry of Foreign Affairs to the Ministry of Finance on this subject. M. Campana was to draft the note, and it was decided that it should be substantially, as follows:

After some weeks of negotiation of this treaty an impasse was reached. When M. Tardieu came into office, he saw that the United States was on the point of taking severe retaliatory measures against France on account of certain French tariff increases against American goods. In an effort to avoid this retaliation, he signed the double taxation convention. Furthermore, the American Embassy would

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9 Louis Barthou, French Minister for Foreign Affairs.
10 André Tardieu, French Premier and Minister for Foreign Affairs, February-June, 1932.
not have agreed to the quota agreement signed May 31, 1932, between the United States and France, unless the double taxation convention had been signed a few weeks before. The United States ratified the double taxation convention a short time after it was signed. The French Ministry of Finance refused to submit the document to Parliament for ratification because it felt that an adequate quid pro quo had not been given by the United States. The Foreign Office understands that certain tax advantages were actually granted by the United States in the convention and its feeling is that the United States has given adequate concessions of another nature (those above described). Therefore, it urgently suggests to the Ministry of Finance that it favorably recommend to Parliament the ratification of the convention at the present session. It was also to be pointed out in the note that the feeling in the United States was becoming increasingly unfriendly to France, and if the Ministry of Finance declined to do what it could to obtain immediate ratification, the full responsibility for the future general relations between the two countries would have to rest upon the Ministry of Finance.

I have just learned from M. Campana that the note, as drafted by him in the above sense, had been signed by M. Barthou and sent to the Ministry of Finance about February 23rd. He said that the note would probably be brought up in Cabinet at an early date.

Wm. S. Howell, Jr.

[Paris,] February 26, 1934.

811.512351 Double/185: Telegram

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

Paris, March 17, 1934—3 p.m.

[Received 6:11 p.m.]

208. Reference Department's number 41 of January 27, 4 p.m., my telegram No. 138 of February 21, 12 noon, and despatch number 678 of March 1.³

Parliament adjourned yesterday reassembles May 15th. During the past fortnight Embassy has been making strong and urgent representations for ratification double taxation treaty and had assurances from Barthou, Herriot,¹⁰ Tardieu,¹¹ Germain-Martin¹² that ratification would be asked of Parliament by Government. However though all

² Telegram No. 138 and despatch No. 678 not printed.
³ Édouard Herriot, French Minister of State.
⁴ André Tardieu, French Minister without Portfolio.
⁵ Louis Germain-Martin, French Minister of Finance.
formalities including signature of President Lebrun had been secured
measure was not introduced until day before yesterday and did
not get out of committee before adjournment.
I fear that soft words and assurances, assertions made, lip service
or bluff [omission] and would like instructions from Department that
failure to ratify is regarded by the United States as additional strain
on friendly relations and may give cause for further press
antagonisms.
I strongly recommend that the retaliatory tax legislation now pend-
ing before Congress be enacted into law. I believe that this threat
of retaliation did more to stir the French in their recent attempt at
ratification of the convention than anything else. It is suggested how-
ever that the executive discretionary power to tax be not exercised
for the present.
Tardieu indicated that this appreciably may be used in hastening
debt settlements. From other quarters it has been suggested that it
might be used for bargaining for a new commercial treaty. I concur in
the Embassy's recommendation in its despatch number 295 of Oc-
tober 10, 1933 38 that we must insist on the ratification of this conven-
tion before a new commercial agreement is made and that if necessary
such a strong leverage as the prevention of exports of French wines
into the United States should be used to bring about the ratification
of the double taxation convention.
In the meantime new assessments under the “quotité imposable”
against American concerns are continuing, two large ones having
been made in the last few weeks and branches or subsidiaries here are
in a constant state of uncertainty.

STRAUS

811.512541 Double/191 : Telegram

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

PARIS, May 24, 1934—1 p. m.
[Received May 24—10: 50 a. m.]

379. When I called on Germain-Martin the Minister of Finance yest-
derday afternoon to urge upon him the desirability of using his best
efforts for the speedy ratification of the double taxation treaty he
informed me that he would interest himself in it and would do his
utmost to bring about its ratification.
He then told me that he had received disquieting messages on the
silver program, possible further devaluation of the dollar and the

38 Not printed.
possible effects of the purchase of silver on the British pound. It was his belief that should further devaluation occur Great Britain would be compelled likewise to devalue and there would be repercussions in the continental gold countries. He said that he feared America might flood the market with silver from Mexican mines.

I told him that to the best of my knowledge there was no present intention of further deprecating the dollar.

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811.512351 Double/191: Telegram

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

WASHINGTON, May 26, 1934—2 p.m.

207. Your 379, May 24. Statement made by you that to the best of your knowledge further depreciation of the dollar was not intended to be made at present correctly represents position here.

It would seem inadvisable to discuss the matter further on your own initiative. But if the French authorities should take it up with you again you may tell the Minister that you have been given to understand that the United States Treasury accepts the preceding statement as correct.

If the French authorities express a wish for further reassurance you may tell them that the Secretary of the Treasury will be glad to see the French Ambassador in Washington at any time to talk the situation over.

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

PARIS, June 8, 1934—5 p.m.

[Received June 8—1:40 p.m.]

426. Your 379 [207], May 26, 4 [2] p.m. Finance Minister has just called me on telephone to inquire whether he might, without stating source of his information, make public statement to the effect that Washington has no present intention of further deprecating the dollar. Unless you refuse me permission I shall consent to issuance of such statement and have promised answer Monday morning. Relations with present French Government seem to me to make it advisable to give permission unless you have serious objection.

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

WASHINGTON, June 9, 1934—3 p. m.

224. Your 426, June 8, 5 p. m. The Treasury says that you may at your discretion repeat statement previously made by you. The Treasury feels, however, that any public statement to this effect should be made in Washington. As stated in the Department's No. 207, May 26, 2 p. m., the Secretary of the Treasury will be glad to see the French Ambassador at any time in this connection.

As far as monetary policy is concerned, the Treasury is on a 24-hour basis.

Hull

The Chargé in France (Morriner) to the Secretary of State

PARIS, July 7, 1934—11 a. m.
[Received July 7—9 a. m.]

514. Parliament adjourned last night. The bill for the ratification of the double taxation convention was not reported out of the Finance Commission of the Chamber. Every appropriate effort was made by the Embassy to urge its ratification and Laboulaye added his support. Up to the last moment the Minister of Finance assured me that every possible effort would be made to obtain its passage this session and in a speech delivered before the American Chamber of Commerce on July 4 made a promise that he would do all in his power to hasten its passage on the following day. The interested departments of the Government have all indicated that they were favorably disposed to it and I am naturally disappointed because I feel that if they had been as well disposed as they said they were it could have been passed as a Government measure.

Information received from several reliable sources is to the effect that certain members of the Finance Commission did not care to act because, (1st) the convention is definitely advantageous to the United States, (2d) the convention is of a political nature and should be left in abeyance with the debt question, and (3d) the convention will also offer opportunities for bargaining purposes with regard to a new commercial treaty.

At the next session in October it is quite possible that a new Cabinet must be dealt with and it is my understanding that a new "projet de

14 André Lefebvre de Laboulaye, French Ambassador to the United States, temporarily in France.
15 See pp. 175 ff.
loi" must be obtained. Considering the great difficulty experienced in obtaining the present one many complications and much consideration may be expected regarding the new one. Furthermore when Parliament reconvenes the time will be approaching for the negotiation of a new commercial treaty and it is very probable that ratification will be delayed until after the latter treaty is made or even until a debt settlement is reached. It is difficult therefore to take a helpful [hopeful?] view of the matter for some time to come.

In the meantime I seriously doubt the advisability of putting into effect the new tax retaliatory law in the United States. The amount of such taxes would be insignificant compared to the taxes which might be levied against American interests in France under the "quotité imposable". This retaliation might also cause the Foreign Office to cancel the gentlemen's agreement not to attempt actual collection of taxes already levied against American companies now amounting to much more than a million francs until the convention has been finally acted upon by Parliament. Kindly repeat this message to the Ambassador. 36

MARRINER

811.512351 Double/199

The French Ministry for Foreign Affairs to the American Embassy in France 37

[Translation]

Referring to correspondence exchanged and to conversations which took place in Paris concerning the application of the Franco-American Convention of April 27, 1932, 38 the Ministry for Foreign Affairs has the honor to inform the Embassy of the United States that, much to its regret, it has been unable to obtain from Parliament, before the latter's recess, a vote authorizing the President of the Republic to ratify the agreement in question. As a result of an overcrowding of their agenda, the Chambers did not have at their disposal sufficient time to study, discuss and vote in proper time the bill which had been referred to their secretariat by the Departments concerned.

The postponement will only be of short duration as the Ministry for Foreign Affairs and the Ministry of Finance are in agreement to request Parliament to reach a decision as soon as the latter reconvenes.

Until that time, the French official administration, imbued with the spirit in which the Franco-American Convention was negotiated,

36 Temporarily in the United States.
37 Transmitted to the Department by the Chargé in France in his despatch No. 1117, August 3; received August 10.
shall abstain from any claims upon American firms now indebted to the tax collector’s office and upon whom demands for payment have been served only as a matter of strict routine.

The Ministry for Foreign Affairs does not doubt that the American Government, appreciating the measures taken by the French Government, will continue to apply to French firms established in the United States the fiscal régime now prevailing until such time as the Convention of April 27, 1932, may go into effect.

Paris, July 31, 1934.

Memorandum by the Counselor of Embassy in France (Marriner) 19

Paris, October 30, 1934.

While at the Foreign Office this morning, to see M. Rochat, M. Laval’s 26 chief of cabinet, on another matter, I referred to the Double Taxation Treaty and told him that I had heard only yesterday that when M. Baréty, the Rapporteur, had been approached on the subject, he had said that without strong governmental insistence he would not report the treaty out for ratification, and that even if the Committee did so, it might very well be done with an opinion against its ratification. I recalled the promise of M. Laval to look into the matter and said that, in view of the commercial soundings-out that were now going on in Washington, this Treaty had assumed an even greater and immediate importance, since it was difficult for the United States to know what concessions it could make when it was unable to say under what tax régime American companies doing business in France would continue to exist.

M. Rochat said that he realized this feature and the length of time it had dragged on, and added that he would prepare a strong letter to M. Baréty for M. Laval’s signature at the earliest possible moment and let me know.

Theodore Marriner

The Chargé in France (Marriner) to the Secretary of State

Paris, December 24, 1934—11 a. m.

[Received December 24—9:45 a. m.]

955. The Chamber of Deputies Saturday evening on the demand of the Government passed the law giving its assent to the double taxation convention. Monsieur Leon Baréty the rapporteur stressed the fact

26 Transmitted to the Department by the Ambassador in France in his despatch No. 1322, October 30; received November 7.

26 Pierre Laval, French Minister for Foreign Affairs.
that the long delay in the application had brought about a difficult situation and had resulted in an amendment to the finance act of 1934 which would inflict retaliatory measures on countries discriminating against American firms and citizens.\textsuperscript{21}

The rapporteur stated that the Finance Commission felt that the present convention in its ensemble was frankly advantageous to American citizens and that therefore it must formulate certain reservations. To this end the President of the Council, the Ministers of Foreign Affairs and Finance have agreed in principle and promised that an annex (to the evenant) to the present convention should be drawn up to insure French citizens in the United States an analogous situation to that established for American citizens residing in France. The Ministers likewise engaged themselves to attempt to obtain from the American Government a modification of the regime applied to French citizens concerning taxes derived from stock exchange operations.

There was no discussion of the rapporteur's report and the ratification was authorized without opposition with a provision that after an understanding with the American authorities the convention might come into force at an anterior date to that set forth in article 10 of the convention.

The whole matter now goes to the Senate which meets again on January 8.

MARRINER

[The convention of April 27, 1932, was ratified by France, April 8, 1935; ratifications were exchanged at Paris, April 9, 1935; it was proclaimed by the President of the United States, April 16, 1935.]

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND FRANCE \textsuperscript{22}

611.5131/990

Memorandum by the Second Secretary of Embassy in France (Williamson)\textsuperscript{23}

M. de la Baume, Director of the Commercial Section of the Ministry for Foreign Affairs, today availed of the occasion of my call upon him to bring up the question of the renewal of negotiations for the conclusion of a commercial treaty between the United States and France. He asked me if it might be expected that conversations between the two Governments would be resumed next month. I replied that accord-

\textsuperscript{21} 48 Stat. 680, 703.

\textsuperscript{22} For previous correspondence regarding a proposed commercial treaty, see Foreign Relations, 1932, vol. ii, pp. 195 ff.

\textsuperscript{23} Transmitted to the Department by the Chargé in France in his despatch No. 1157, August 21; received August 29.
ing to the Embassy’s information, such was not the intention of the American Government. Responding to his further request relative to when the resumption of negotiations was contemplated, I said that no date has yet been fixed; that my Government plans to negotiate with a number of other countries prior to discussions with France and that in my personal opinion Washington would probably not be ready to negotiate with France before spring.

M. de la Baume was also interested to learn of the “set-up” established in the United States for the study and conclusion of commercial engagements, the geographic sub-committees being of particular interest to him.

M. de la Baume remarked that regardless of the lapse of time before negotiations might be commenced, his Government would adhere to the plan which had already been made to initiate, during the month of September, an interdepartmental study of commercial problems with the United States. The reason given for the preparation next month of the background for active negotiations was that the presence in Paris of M. Garreau-Dombasle, French Commercial Attaché in Washington, should be taken advantage of. The Director of the Commercial Section added that there were a large number of problems which France desired to include in the treaty conversations and that he would keep the Embassy informed of developments.

While on this subject I felt it a good opportunity informally to talk to M. de la Baume of the apparent attitude of the Department of State, as expressed in the personal letter 24 from Mr. Paul Culbertson 25 addressed to Mr. Williamson S. Howell, Jr., 26 on July 25, 1934, to the effect that padded rates and padded bargaining positions, developed by foreign countries within the fairly immediate past, would not be acceptable as concessions to the United States in exchange for rate reductions by it. The Foreign Office official expressed himself as understanding this point of view and said that France had no desire nor intention of building up an artificial bargaining position in advance.

PARIS, August 20, 1934.

H[AULD] L. W[ILLIAMSON]

611.5131/903

Memorandum by the Second Secretary of Embassy in France (Williamson) 27

On August 29, Dr. Feis, Economic Adviser to the Department of State, accompanied by the Second Secretary of Embassy, called on

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24 Not found in Department files.
25 Assistant Chief, Division of Western European Affairs.
26 First Secretary of Embassy.
27 Transmitted to the Department by the Ambassador in France in his despatch No. 1178, August 31; received September 8.
M. de la Baume, Chief of the Commercial Section of the Ministry for Foreign Affairs.

After the exchange of appropriate amenities the conversation turned to the contemplated commercial treaty negotiations with France. Dr. Feis explained in a general way why the negotiations must be deferred, probably until spring approximately. M. de la Baume voiced his understanding of the situation and said that his Government would in no manner exert pressure on the Government at Washington to hasten the initiation of negotiations. The French authorities would remain quiet until such time as the American authorities indicated that they were prepared to proceed.

In the meanwhile, however, the interested members of the French Government would meet about the 20th of September, while M. Garreau-Dombasle is still here, to map out from the French angle a rough outline of a basis for the treaty. M. de la Baume said that he was not yet in a position to assert what the principal points asked by France would be but thought they would include, inter alia, tariff reductions on lace and wines. He also remarked that some quid pro quo might conceivably be asked in connection with purchases of tobacco in the United States by the French monopoly. He explained that the bulk of the tobacco used in France is bought in the United States instead of the more useful fields for French commercial expansion, the Near East. Greece in particular, he said confidentially, had offered to accord France almost anything it desired in return for placing large tobacco orders in that country. Under the circumstances it was difficult, without some direct benefit in return, to maintain the preponderance of tobacco purchases in the American market.

Dr. Feis turned the conversation to the unfortunate atmosphere which exists in the United States, in non-Government circles, with regard to France, sketching briefly some of the possible causes and hinting that anything that could be done by France to ameliorate the atmosphere might make the treaty negotiations easier. Secretary Williamson here remarked, in connection with the American Government's disinclination to take into consideration any steps taken by France latterly or in the future to build up an artificial bargaining position prior to the opening of negotiations, that we hoped the French Government would in the interim maintain the status quo as regards the American position, particularly in the field of quotas, giving us as generous treatment as possible in fresh fruits, salmon, etcetera, without resort to quid pro quos. M. de la Baume assented in principle. He also promised to look into the distribution of fresh fruit licenses, which is criticized by exporters in the United States.

At the request of Dr. Feis, the Chief of Section said he would have a memorandum prepared concerning French wines, which would be of
educational use to us in understanding the French wine industry and its desires.

M. de la Baume was induced to discuss French commercial policy and the handicaps inherent to the high production costs in France. He attributed the abnormal costs largely to the high salaries which came into being during the intensive industrialization of the war period and said that of course it is a delicate problem to reduce wages, though it must be gradually done. On account of this situation, trade difficulties here take on unusual political significance. He confidentially admitted that aside from the wage issue the policy with regard to exterior commerce needed ultimate liberalization since of course the quota system and other measures stifle free interchange of merchandise. The quota policy is one which was forced on France by dumping threats and it was never intended to be permanent. Nevertheless it cannot be abruptly abandoned, he asserted. It has been the aim not to give both quota protection and increased tariff protection on the same item, a quota being eliminated when tariffs are raised. He also implied that the recent trade agreements designed to affect bilateral trade balancing between France and another given State had resulted in harmful repercussions, retaliation, etc., and that they defied the sound principle of triangular trade. The liberalization of commercial policy is therefore to be desired but must be arrived at slowly and cautiously so as not to disturb domestic industry and agriculture.

M. de la Baume, during the course of the conversation, also mentioned, as illustrative of the protectionist trends in most States, the difficulty encountered in making the French Ministry of Agriculture accede to the wine-fresh fruit agreement last year. In this general connection he expressed some disappointment at the smallness of the amount of French sales of champagne to the United States during past months. He felt that one of the chief difficulties lies in the heavy taxes collected by our customs on champagne and hoped this might be remedied.

In closing, M. de la Baume affirmed that it is the genuine and unswerving intention of the French Government so to apply quotas that they may be actually used in their entirety by the beneficiaries. In the recent Franco-British trade agreement, written assurances to this effect were given and such assurances are likewise applicable in spirit to the United States.

H. L. W[ILLIAMSON]

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FRANCE

611.5131/999 : Telegram

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

PARIS, October 12, 1934—5 p. m.
[Received October 12—3:55 p. m.]

745. Reference to my telegram No. 707, September 28, 5 p. m.\(^{29}\) *L'Information* on the 10th carried an article relative to Franco-American commercial negotiations. This subversive [*sic*] paper is largely controlled by the steel trust and Banque de Paris et des Pays Bas and is often used by the Government for dissemination of economic information. In this apparently inspired article, after commenting favorably upon the American Government’s program for breaking down trade barriers it is said that we have taken the initiative in seeking opportunities for reciprocal concessions and that it is for us to make the first proposals. It is added that the principle of negotiations with France is admitted and that the opening of conversations may be expected during the course of the next month.

This latter statement strengthens my belief that it would be well if the Department might find a way of informing the press that negotiations with France are not contemplated until some time next year.

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STRAUS

611.5131/999 : Telegram

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

WASHINGTON, October 13, 1934—2 p. m.

419. Your 745, October 12, 5 p. m. We have been approached during the past few days by Laboulaye and Garreau-Dombasle proposing an early initiation of discussions for a reciprocity tariff agreement. Laboulaye told me that his Government was ready to make some real concessions at this time if the United States could take up negotiations at an early date. He added that he did not know what the situation might be 6 months hence. Garreau-Dombasle was more specific with Feis. He said that he had returned from France encouraged with the possibilities and stated that French Government was prepared to proceed with negotiations on a wide front. He thought for example that the French Government would be willing to concede the minimum tariff rates throughout their whole schedule. He implied that the present discriminatory turnover tax could be abolished and that the

\(^{29}\) Not printed.
double taxation treaty would be passed. These he said were indications of the French attitude. In return he sketched the nature of the concessions which France would seek, primarily decreases in duties on a small list of commodities of which he enumerated champagne, handsewn gloves, laces.

We have had several conferences in the Department to consider what our next step should be and asked Howell to come down from New York and join us. The impression we have had from your telegrams is that by delaying an agreement to negotiate, we could obtain better terms from the French. If Garreau-Dombasle accurately reflects the French Government's point of view, we feel that they have already reached a state of mind where they are prepared to make satisfactory concessions and that early negotiations would preclude the imposition of new trade barriers.

We eventually worked out a proposed reply to Laboulaye, which Howell believes to be in line with your views.

Laboulaye is coming in to the Department Monday morning. Our suggested approach on which we should like your comments is in brief as follows: (1) Explain to him that we are much interested in possible treaty discussions with France, but that the program of negotiations with other countries, for which we have already accepted commitments, is very heavy and that it would be extremely difficult to undertake exhaustive discussions with the French Government at the present moment.

(2) That however if the French Ambassador were in a position to indicate to us in general the limits towards which the French Government would be prepared to go, and it would seem to us that negotiations of broad and outstanding importance were possible, then we might be warranted in interfering with our present program. In other words, only the prospect of reaching an agreement with France that would clear up many important obstacles to trade between us and lead to a growth of that trade, would justify the disturbance of the present program that would be required.

(3) Without making the passage of the double taxation treaty a sine qua non to the inception of negotiations, we feel that it should be ratified by France at the earliest possible date. The treaty is one which we could not bring into commercial negotiations nor could we admit its use by the French Government to obtain a further quid pro quo. We should remind Laboulaye of the note of July 31, 1934 from the French Minister of Foreign Affairs stating that delay was due merely to an overcrowded agenda of their Parliament.

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30 See pp. 167 ff.
31 Williamson S. Howell, Jr., First Secretary of Embassy in France, temporarily in the United States.
32 Ante, p. 173.
To sum up; our whole purpose is (a) to make it clearly a matter of record that the initiative has come from the French, and (b) to satisfy ourselves a good deal further that the French are really prepared to make serious and genuine concessions with a view to concluding a treaty.

Please be quite frank in your comments, which however should reach us at the opening of business Monday morning.

HULL

611.5181/1001: Telegram

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

Paris, October 14, 1934—7 p. m.
[Received October 14—6:10 p. m.]

753. Your 419, October 13, 2 p. m., arrived in badly garbled condition. As soon as it was decoded I assembled Marriner, Keena, MacLean, Tuck, Reagan and Williamson to discuss the matter.

All comment which we make must be conditioned on the fact that a new Minister of Foreign Affairs, Laval, is just taking over and that there has been no opportunity to find out his present views on debts, commercial policy, or treaty negotiation. It must likewise be borne in mind that the whole stability and life of the present Government has been endangered by the recent changes.

It is my belief that if the French Government merely wishes to gain the credit in Parliament and the press for initiation of trade negotiations with us or for forcing us into them in order to meet continuing wave of economic inactivity, such negotiation would not be worth while at present and greater concessions would be forthcoming later. In short our opinion has in no respect changed from previous recommendations, that it would be advantageous to keep the French on the anxious seat. If on the other hand France would make a definite offer of what she would do in return for a list of specific concessions on our part such as you have listed, I feel that the opportunity to place them on record should not be overlooked, in preparation for more comprehensive negotiations. Briefly, we should not waste our best ammunition at this time on any partial agreements.

I thoroughly agree that the double taxation treaty should not be allowed to become an element in this negotiation. It must be understood that we would only begin conversations on the understanding that it is to be ratified at the earliest possible moment in accordance

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35 J. Theodore Marriner, Counselor of Embassy; Leo J. Keena, Consul General; Henry C. MacLean, Commercial Attaché; S. Pinkney Tuck, First Secretary of Embassy; Daniel J. Reagan, Assistant Commercial Attaché.
with their assurance and that nothing could be concluded until this had been done.

Straits

611.5131/1015
Memorandum by the Under Secretary of State (Phillips) of a Conversation With the French Ambassador (Laboulaye), November 8, 1934.

The French Ambassador called this afternoon to explain the instructions which he had recently received from his Government regarding trade conversations. It appeared that Garreau-Dombasle in his conversations with the Department had gone too far in giving the impression that the French Government would be disposed to extend a general minimum tariff to American imports into France. De Laboulaye said that the French law, as it stands, would make this impossible and that the best which could be done would be to extend the minimum tariff to American imports entering under the quota system. He added, however, that the door would be left open to lowering the French tariff on articles of American produce which did not come within the category of quotas and which were subjected to a higher tariff. He gave me the impression that in the bargaining process, many of these articles might be accorded the minimum tariff but that the French Government could not extend a minimum tariff to cover them all in at once.

The Ambassador then referred to the trade agreements of 1927 and 1932 and intimated that one of the important features of a new trade agreement would be to regulate some of the advantages which were now extended provisionally. This, he thought, was a very important point because if there was no trade agreement between the two countries established fairly soon, American imports might be worse off than ever. (The Ambassador in this last remark did not put forward this suggestion as a threat, but my interpretation of it, nevertheless, was something in the nature of a threat.) The Ambassador concluded his remarks by urging me to do everything I could to go forward with an agreement and spoke at some length of the importance which he attached to so doing. In reply I did not give him any assurance one way or another beyond assuring him that we would study the situation very carefully.

W[ILLIAM] P[HILLIPS]

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34 The substance of this memorandum was transmitted to the Embassy in France in Department's telegram No. 464, November 19, 4 p.m.; not printed.
The Ambassador in France (Straus) to the Secretary of State

Paris, November 22, 1934—noon.
[Received 1:35 p. m.\textsuperscript{37}]

867. If we were now to accord France relief on such of her cardinal points as lace and champagne it would seem highly improbable that the few trading advantages which would then be left us to offer would be of sufficiently compelling nature to induce France subsequently to reopen negotiations and to accept a supplementary treaty containing the benefits to the United States essential to form a well-rounded commercial accord. The veiled threat of the French Ambassador that the commercial relations between the two countries may drift into a more difficult phase may very likely be fulfilled but despite our being the larger exporter I feel that we can support the issue as well as or better than France which at present is in dire need of developing its trade outlets. There of course may be some ground for the Department’s apprehension concerning the aim of European countries to develop their own self-sufficiency but it is not seen how the proposed engagement would deter France from attaining that end or aid the United States to protect its failing markets in such threatened fields as cotton. Moreover, the conclusion of a treaty with the United States in which the United States is put in an inferior position to Germany, for example, so far as the advantages given are concerned would but serve to enable the European countries to draw into closer interdependency to the ultimate disadvantage of American exports. The present French Government is in as great need as its predecessor for showing concrete results in relieving the interior economic situation and with more and more outlets cut off or diminished the American market is of increased importance and should be sold dearly. I feel that France should be made to sue for the American market instead of which outside of adherence to the quota agreement it has failed to ratify the double taxation agreement, is withholding or delaying restoring the modus vivendi position of the United States on numerous tariff items and as reported in my telegram No. 863 [862], November 20, 7 p. m.,\textsuperscript{38} has now denied the United States a share in French nitrate purchases.

Bearing all these considerations in mind I feel that the French withdrawal of its previous offer is a bluff. I, therefore, strongly urge that the Ambassador in Washington be told that unless his Government is in a position to make a much more advantageous offer

\textsuperscript{37} Telegram in six sections; sections 1, 2, 3, and 6 not printed.
\textsuperscript{38} Not printed.
than the last one no justification is seen for placing France on the present calendar of commercial negotiations.

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**STRAUS**

611.5131/1020

*Memorandum by the Under Secretary of State (Phillips) of a Conversation With the French Ambassador (Laboulaye), November 23, 1934*

The French Ambassador asked me this morning what was our reaction with respect to continuing negotiations for a trade agreement with France. I said that I could not as yet speak officially for the Department because we had not, so far as I knew, taken any definite action; I had had, however, occasions to sound out our experts and I believed that the general point of view seemed to be one of disappointment at the change of position of the French Government with respect to what they could offer to us and that, in the circumstances, we would probably not be justified in upsetting our program of negotiations with other countries in order to give preference to France. The Ambassador made no comment to this other than to suggest that in our reply we should endeavor to state precisely what we wanted to accomplish through a trade agreement. He asked me to realize that a new Government had come into power; a new Minister of Commerce was dealing with these problems, and that in his opinion it was important to keep the idea of a trade agreement alive rather than to let it die by an answer to the effect that we could not now negotiate. The Ambassador said he did not know the viewpoint of Flandin, which was the reason why, in his opinion, he felt it so desirable not to shut the door in the face of the new Government. I thanked the Ambassador for his suggestion and said that we would give it very careful consideration.

**WILLIAM PHILLIPS**

611.5131/1019a: Telegram

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

WASHINGTON, December 4, 1934—9 p. m.

482. There follows the text of an *Aide-Mémoire* the Department proposed to hand to the French Ambassador at the earliest possible time:

“This Government is highly desirous of developing the commercial relations between the United States and France and believes that a

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substantial field for development exists. Hence it entertains a definite wish to respond to the suggestion made by the French Government that a commercial agreement between the two countries be promptly arranged.

"However, the preliminary outline of a basis of possible agreement which the Embassy has put forward does not seem to us a sufficiently satisfactory basis of adjustment of the interest of the two countries to warrant immediate entry into negotiations. If our appraisal of these informal proposals is correct, the agreement suggested would merely perpetuate the position of American commerce under the present undertakings between the two Governments dealing with quotas and tariff rates, correct a few of the many disadvantages which American exports to France now suffer as compared with the exports of many other countries while leaving all other disadvantages uncorrected and grant improved conditions of entry to very few American products—in return for selected concessions on the part of the United States to French goods and a continued benefit of complete most-favored-nation treatment and the enjoyment of all future concessions which the United States may make to any country in the execution of the program of commercial negotiations in which it is now engaged.

"In appraising these proposals or any other proposals which might be placed before us, we would naturally be influenced by the following criteria: (1) whether they would give American trade assurances as to its future treatment, as it might be affected by new tariff or quota changes; (2) whether the general pledge of tariff treatment as well as the degree of protection against future changes in tariffs and in quotas would be as favorable as the terms granted by France to other countries, particularly in any recently concluded commercial agreements, and (3) whether the proposals would afford new trade opportunities for American agricultural products.

"This Government wishes in the course of developing the commercial agreement policy which has been inaugurated to assure to all countries like France, in which it carries on a large commerce, an improved place in the American market and a position of protected equality. In return it expects that it may be possible to secure for American trade an equivalent position in the markets of other countries. The outline of possible French action does not appear to make a satisfactory approach to this broad purpose, and we are reluctant to use the opportunity for negotiations between the two countries for any lesser purpose. It is therefore suggested that the French Government consider whether its conditions and policies would not permit it to put forward a less restricted rule and measure of treatment for American trade, such as would justify this Government in proceeding at once with negotiation of a broad agreement on which an extended Franco-American trade might with security rest."

The Department proposes to add orally to the French Ambassador that if his Government cannot see its way clear to proceed in this fashion, it would be willing to consider a possible modus vivendi until the negotiation of a more comprehensive trade agreement in accord with which France would grant to American commerce substantial most-favored-nation treatment with respect to tariff and quota treat-
ment in return for a promise to France of continued most-favored-nation treatment and a generalization of tariff reductions made by us during the life of the modus vivendi.

The Department proposes further to add orally that it fails to understand why the double taxation treaty has not yet been ratified in accordance with the various promises of the French Government and to observe further that the Department trusts that there is no foundation for the thought that the French Government expects any further concessions in return for the ratification of this treaty and that in order to avoid any such unjustifiable implications it would seem that the French Government should ratify the treaty at once.

Will you kindly let us have at once any observations you may wish to put forward with regard to the above?

HULL

611.5131/1021: Telegram

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

PARIS, December 6, 1934—11 a.m.
[Received December 6—9:10 a.m.]

908. Reference Department’s telegram No. 482, December 4, 9 p.m.
The substance of the Department’s proposed aide-mémoire seems excellent. My only suggestions with regard thereto are the following:
It would seem to the Embassy preferable to substitute for the third paragraph a simple blunt statement to be inserted at the end of the memorandum such as “In view of the above considerations the Government of the United States does not feel that it is justified in entering into discussions until such time as the French Government is prepared to make a much more advantageous and comprehensive offer.” This omission and substitution would avoid any arbitrary interpretation that might be placed on the criteria listed and any indication that these constituted the maximum demands of the American Government from which the French might attempt to whittle down.
Finally I strongly urge that reference to ratification of the double taxation agreement be incorporated in the body of the aide-mémoire instead of being made orally. I do not feel that we can be too precise on this point with the French Parliament at present in session since it should at anytime, in view of promises previously made, consider that convention although it probably will not do so except under pressure. Some brief reference might be inserted at the end of paragraph 2 of the aide-mémoire along the following lines: “It does not seem expedient to enter into new agreements until such time as an
existing agreement, the double taxation treaty, shall have been ratified". (See my despatch No. 1386 November 27). 40

As to the contemplated oral addition I feel (1st) that the treatment sketched which we have to offer holds so little in the nature of special concession that the French Government would never consent to according to the United States sufficiently favorable treatment to justify our entering into a provisional engagement which the French might well be content to let run indefinitely containing as it would of necessity tacit acceptance on our part of certain present conditions of inferior treatment. (2d) But more important I believe that should the Department be disposed to enter into a temporary understanding the suggestion should come from the French Government in order that it may be maintained in the position of taking the initiative and showing anxiety. The French Government has already, as soon as it felt our Government had some slight interest in negotiating, taken advantage of the situation to recede from its original proposals so that it is essential that it first make a concrete offer to which it will be bound in principle.

STRAUSS

611.5131/1021: Telegram

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

WASHINGTON, December 7, 1934—8 p. m.

491. Your 908, December 6, 11 a. m. Department much appreciates your comments on its proposed aide-mémoire and glad that its main substance is in accord with your ideas. The text was discussed fully with Howell, and seemed to meet his views except in regard to the method of presenting the question of the double taxation treaty.

As for the matter of the double taxation treaty the Department intends in its oral statement to give serious emphasis to the question and to make clear to the French Government that it feels that this Government has already made every concession that might be asked for on that account and that it would deem it unfair of the French Government to use the question of ratification of the treaty as a means of bargaining with us, and that we will not consent to have it enter as an element in the conversations. But my judgment is that it remains wise to avoid making the ratification of this treaty an explicit condition prior to trade negotiation with the French Government provided the trade concessions offered are satisfactory. It is doubtful

whether the President's power to negotiate commercial agreements would justify such a stand.

The Department has decided to use the third paragraph as drafted rather than the briefer and blunter substitute which you suggest. It appears desirable to seek to continue effort to find a ground of agreement with the French Government satisfactory to us and it might assist in doing so if we indicate, as we do in the third paragraph, the general terms which would be satisfactory. This positive indication of what we would seek from the French seems preferable to a completely negative statement.

As for your comment on the proposed oral addition in regard to a possible *Modus Vivendi*, Department believes your judgment that the French Government would not offer us what we ask is probably correct. But this further indication by us that we will desire in effect most-favored-nation treatment may serve a useful purpose, coupled as it is with an indication that France may not receive the benefit of tariff reductions made by this Government in the course of commercial negotiations with other countries. The reason for this is that our objective throughout our trade agreement program must be to bargain most-favored-nation treatment including generalisation for substantial most-favored-nation treatment, and thereafter trade concessions for trade concessions. I hope you may avail yourself of any opportune occasion to preach this doctrine.

HULL

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611.5131/1027b: Telegram

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

WASHINGTON, December 10, 1934—7 p. m.

492. Mr. Sayre this morning handed French Ambassador the aide-mémoire quoted in our 482, December 4, 9 p. m. At the same time he took occasion to emphasize the importance of early ratification of the double taxation treaty, pointing out that there was a group in the government which wished to make this ratification a condition precedent to negotiations; that no mention had been made of the treaty in our aide-mémoire but that if action were not shortly forthcoming the above opinion might come to prevail. The Ambassador is further telegraphing on the possibility of concluding a *modus vivendi* as outlined to you pending a more comprehensive trade agreement. It is possible that you will be approached on one or more phases of this interview.

PHILLIPS
Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[WASHINGTON,] December 18, 1934.

The French Ambassador called this morning by appointment on Assistant Secretary of State Sayre. Mr. Grady* and Mr. Moffat were present.

The Ambassador said that he had received a long telegram from his Government in reply to the aide-mémoire we had given him the previous week (December 10th) and to the suggestion we had informally advanced to conclude a modus vivendi. The Ambassador said that his Government had telegraphed that it would find it very difficult to agree to a modus vivendi of the sort described at the present time. The French Government would have to justify granting de facto most favored nation treatment to American products by pointing to specific advantages gained in return. Unless and until we were in a position to inform the French Government of the nature of the concessions we are going to give to the products of other countries through our trade agreements, it would be impossible for the French to estimate whether or not it was to their best interest to conclude such an understanding.

This solution being temporarily out of the way, the Ambassador read the maximum concessions which France was prepared to give at the present moment. These were:

(a) The establishment of as large a list of products as possible containing both those under quota and those not under quota to which France would accord minimum tariff treatment. Such a list is being mailed to the Ambassador at present and should reach Washington in about twelve days. It contains more than a thousand items but similarly makes certain important exceptions involving items of interest to American trade.

(b) The 6% and 4% turnover taxes would be uniformly reduced to 2%.

(c) Quotas for certain types of American merchandise would be increased. In return for these concessions France desires to obtain advantages for specific French products, notably lace, champagne, cigarette paper, et cetera, and the length of the list she presented covering minimum tariff rates would probably depend in large measure on the amount of reduction we could grant her on these principal products.

Mr. Sayre explained to the Ambassador that this proposal was a return to the old idea of negotiating a trade agreement. He explained, in order to make the situation perfectly clear to the Ambassa-

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*Henry F. Grady, Chief of Tariff Section.
edor, that any agreement involving the reduction of a single item of the American tariff would fall within the category of a trade agreement and would have to be negotiated according to the provisions of our law. This would involve public hearings and specified delays amounting to at least eight weeks. On the other hand, a modus vivendi covering as it does merely de facto most favored nation treatment could be concluded by an exchange of notes overnight.

The Ambassador said it was so difficult to bargain with us as we had only a single column tariff. Mr. Grady remarked that without employing the name, we were none the less being driven towards a system of a double tariff, one rate for those to whom we made or generalized concessions in trade agreements, the other rate for those countries to whom we did not generalize. Mr. Grady admitted that the modus vivendi was in effect asking France to accord us an immediate advantage in return for an advantage which would only come into play at a later date although it would probably be greater in the long run. To be sure, the concessions made in other trade agreements would probably not be given in the four or five products in which France was predominantly interested as it was our policy to make concessions only in those items where the country negotiated with was the principal supplier. Nevertheless there were many items of secondary importance in which France had a real interest and in which her competitive position would be gradually weakened. Perhaps no one treaty would give enough from the French point of view but certainly the aggregate of the treaties we are now negotiating, namely, those with Belgium, Sweden, Switzerland, Spain, etcetera, would contain a very real advantage.

The Ambassador said that he understood all this and could only report it once more to his Government. Meanwhile, he would present us the list previously referred to as soon as it had been received in the early days of January.

PIERREPONT MOFFAT

EFFORTS TO OBTAIN MINIMUM TARIFF RATE ON AMERICAN RICE IMPORTED INTO FRANCE

102.81 Paris/528 : Telegram

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

Paris, January 22, 1934—5 p.m.
[Received January 22—1:40 p.m.]

44. Chamber has passed without debate bill greatly increasing tariff on rice whereby general duty which applicable United States would

44 An Act To Amend the Tariff Act of 1930, approved June 12, 1934; 48 Stat. 943.
be 137 francs 60 centimes per 100 kilograms and minimum duty 68 francs 60 centimes. Early passage by Senate probable.

Straus

651.113/158: Telegram

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

WASHINGTON, January 24, 1934—5 p. m.

29. Your 44, January 22, 5 p. m. An increase in duty at this time will have a most unfortunate effect here, especially to continue the United States in the general tariff since the general and minimum are no longer to be the same. We have an exportable surplus of rice and efforts have been made in some of the wine negotiations to dispose of this surplus abroad. Rice imports from non-French sources are not very large comparatively, but the French market is of considerable importance to American rice interests. An increased duty plus new discrimination against a commodity of such interest at this time coming upon the heels of the widely disseminated difficulties over the apple and pear quota will without doubt be resented here. Please talk this over with the appropriate authorities and see what you can do at least in getting the minimum rate for American rice.

Hull

651.113/181

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

No. 939


[Received June 9.]

Sir: I have the honor to refer to the Department's telegram No. 29 of January 24, 5 p. m., regarding the recent increase in the French duty on rice. There are enclosed for your information copies of communications to the Foreign Office dated January 31 and March 29, asking that the United States be given the new French minimum tariff on rice. There are also enclosed a copy and translation of the Foreign Office note dated May 28, in which it is stated that since the duty on rice was not affected by the decree of August 30, 1927, there is no reason why the modus vivendi rates should be applied to this product, but that if the United States Government would remove the excise tax of 10 cents per 100 lbs. on anthracite coming from Indo-China, the French Government would give to the United States the minimum tariff on whole rice.


*Neither printed.

*Not printed.
The note from the Foreign Office involves an interpretation of the *modus vivendi* of 1927.\(^4\) This Embassy heretofore has taken the position that the basis of the *modus vivendi* of November 21, 1927, was that the duties paid on imports from the United States should be the same as those paid before the decree of August 30, 1927, except when the new minimum duties were higher than those rates, and in the latter case the new minimum rates should be paid. Furthermore, it has maintained that this principle should be applied substantially to all products regardless of whether they were listed in that decree.

Your attention is invited to the fact that the French offer applies only to whole rice, which is the kind of principal interest to American exporters.

I should appreciate your instructions as to what further action is to be taken in this matter.

Respectfully yours,  

JESSE ISIDOR STRAUS

651.118/181

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

No. 443 WASHINGTON, June 19, 1934.

Sir: Reference is made to your despatch No. 939 of May 31, 1934, with regard to the French duty on rice.

I am disappointed that the French Government has taken the position which it has taken in this matter, although its attitude with regard to the applicability of the 1927 *modus vivendi* is in line with that which they have heretofore adopted. I think that the Embassy’s interpretation of the 1927 arrangement is fully in line with what the Department understood and has understood to be the meaning of the 1927 agreement. The French Government has not, however, at any time, so far as I know, recognized our interpretation of the 1927 agreement. The language of that agreement is, of course, of such a nature as to make it difficult to show clearly that in a situation such as this increase in the duty on rice, the rate accorded the United States should be the minimum rate.

The Foreign Office’s note suggests that the minimum tariff rate might be granted to whole rice imported from the United States if the American Government were to cancel the excise tax of ten cents per hundred pounds assessed on anthracite coal imported from Indochina.

Section 601, sub-paragraph 5 of paragraph (c) of the Revenue Act of 1932,\(^4\) provides for a tax of ten cents per hundred pounds on coal

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\(^4\) 47 Stat. 299.
imported from those countries which during the preceding calendar year exported more coal to the United States than was exported by the United States to the countries in question. It is understood that under this provision the tax is being applied to imports of coal from all sources except Canada and Mexico.

Paragraph (a) of Section 601 provides that this tax shall be imposed "unless treaty provisions of the United States otherwise provide." The Department has taken the position that under this language coal imported from those countries with which the United States has most-favored-nation treaties should be exempt from this tax. The Treasury Department held otherwise and has been imposing this tax on imports from all sources except those which take more coal from the United States than the United States takes from them. Importers of foreign coal have taken the matter to the appropriate courts and decisions have been handed down by two courts to the effect that by reason of the foregoing quoted language, coal imported from those countries with which the United States has most-favored-nation treaties should be exempt from the tax. The question is now pending appeal to the Supreme Court of the United States. However, since this Government does not have a commercial treaty with France, there is no basis under existing law whereby the removal of this tax could be brought about in so far as coal imported from Indochina is concerned. Coal imports from Indochina have been so small that I can hardly believe that the French Government puts much weight on its request for the removal of this tax. There were no imports of coal from Indochina up to 1930, in which year 2,000 tons were imported. In 1931 1,010 tons were imported; in 1932 5,628 tons were imported, and in 1933 only two tons were imported. The drop in imports from 1932 to 1933 may have been due to the imposition of this tax of ten cents per hundred pounds on coal. Nevertheless, the imports even in 1932 were so small that the tax in question cannot be considered to have been of great importance.

Coal imported from Indochina has been subject to a duty equal to that imposed by Indochina upon coal imported into that country. Paragraph 1650 of the Tariff Act provides for the free importation of coal provided that other countries do not impose a duty on coal when imported from the United States. If a duty is applied the United States will assess a duty equal to that imposed by the foreign country, thus the tariff rate on coal imported from Indochina has been equal to six francs per ton, six francs per ton being the rate applied by Indochina on coal imported into its territories. Under the Tariff Act which has just been signed by the President,\footnote{48 Stat. 943.} the
proviso part of paragraph 1650 has been annulled, and therefore from now on coal imported from Indochina will be admitted entry duty free, and there will only remain the excise tax of ten cents per hundred pounds.

I do not know whether it will be possible to get the French Government to change its position in this connection. Nevertheless, I suggest that you go into the matter orally with the Foreign Office and point out the fact that the duty on Indochinese coal has been removed and although this was done gratuitously, it would seem that the French Government might reasonably give consideration to this fact. Furthermore, coal imports into the United States from Indochina have been so small in importance as compared with rice exports from the United States to France that I do not believe the French lay much store in seeking the removal of this tax. The amount of rice exported to France from the United States does not appreciably affect the market in France, but that amount is of great importance to rice producers in the United States. Furthermore, rice is one of the agricultural commodities for which this Government has been seeking appropriate outlets.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

651.113/184

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

[WASHINGTON,] June 20, 1934.

Reference is made to Dr. Feis' memorandum* of conversation with Mr. Gaucheron** on June 13, at which time Mr. Gaucheron left with Dr. Feis a memorandum expressing a desire to be informed of the Department's decision with regard to a proposal made by the French Foreign Office to our Embassy, to the effect that if the United States would remove the excise tax on coal from Indo-China France would accord American rice its minimum rate of duty.

Mr. Gaucheron was asked to call this morning and Dr. Feis explained to him the position in which this Government found itself, and its inability, irrespective of what its wishes might be, to remove the excise tax on coal from Indochina. Mr. Gaucheron's attention was called: (1) to the fact that by reason of the provisions of the recent amendment to the Tariff Act, the American duty on Indochinese coal had

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* Memorandum by Herbert Feis, Economic Adviser, Department of State, not printed.
** Roger Gaucheron, First Secretary of the French Embassy.
been removed, and that, therefore, Indochinese coal might now enter duty free but not free of the excise tax; and (2) to the fact that the excise tax in question would automatically lapse at the end of the present fiscal year unless Congress should take steps to have that tax renewed.

Dr. Feis also explained that for the present at least we would not be interested in reciprocal discussions which involve only one commodity, but to limit ourselves under the authority of the recent amendment to the Tariff Act to discussions of a broader character involving the general commerce between this country and any other country with which discussions were undertaken. Mr. Gaucheron took down considerable notes and said that he would explain the matter to his Government.

P[aul] T. C[ulbertson]

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651.113/182: Telegram

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

**PARIS, June 28, 1934—2 p.m.**
[Received June 28—1:15 p.m.]

482. Your 443, June 19th. If the Supreme Court of the United States upholds the decisions of the two courts regarding paragraph A of section 601 would not France be exempt from the excise tax of 10 cents per 100 pounds on coal because the United States, as long as the *modus vivendi* of 1927 continues, is obliged to grant most-favored-nation treatment to France?

MARRINER

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651.113/182

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

No. 495

**WASHINGTON, July 13, 1934.**

Sir: Reference is made to your telegram No. 482 of June 28, 1934, with regard to the excise tax on coal imported into the United States from foreign sources.

The Department of Justice has recently decided that an appeal will not be taken from the decisions of the lower courts as outlined to you in instruction No. 443 of June 19, 1934. It is understood that as a result of this decision the opinions of the lower courts will stand, and that henceforth this tax will not be applicable to those countries with which the United States has definitive unconditional most-favored-nation commercial treaties. In answer to your inquiry, as presented in
your telegram No. 482, it should be pointed out that the *modus vivendi* of 1927 with France is merely an executive agreement, and as such does not become a part of the law of the land. Only definitive treaties which have received the approval of the Senate would have sufficient force to override a statutory provision such as the provisions in Section 601 of the Revenue Act of 1932.

Very truly yours,

For the Secretary of State:

WILLIAM PHILLIPS

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EFFORTS TO ARRIVE AT “QUID PRO QUO” ARRANGEMENTS WITH FRANCE REGARDING FRENCH TURNOVER TAX AND PROTECTION IN AMERICAN MARKETS FOR NAMES OF ORIGIN OF FRENCH WINES

811.114 Liquor/757 : Telegram

_The Chargé in France (Marriner) to the Secretary of State_

PARIS, August 22, 1934—10 a. m.  
[Received August 22—7:34 a. m.]

619. Press today reports under Washington date line that Federal Alcohol Administration has issued ruling prohibiting use of names of places of origin on wines and liquors not originating in such places instead of [as?] Burgundy. Since, if true, it would be useful to Embassy to be able to inform Foreign Office of this important ruling, telegraphic advice would be appreciated concerning alcoholic beverages to which applicable and other pertinent details.

MARRINER

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811.114 Liquor/757 : Telegram

_The Acting Secretary of State to the Chargé in France (Marriner)_

WASHINGTON, August 22, 1934—6 p. m.

343. Your No. 619, August 22, 10 a. m. Federal Alcohol Control Administration promulgated August 10 regulations relating to:

(1) Standards of identity for distilled spirits: “Class 8. Geographical and Distinctive Designations:

   (a) _Geographical Names._—The name for distilled spirits (1) which have a geographical name, or (2) which are distinctive products of a particular place or country, shall not be given the product of any other place or country, unless such product in fact conforms to such distilled spirits except as to age, and unless such name includes the word ‘type’, or an adjective, such as American or the like, clearly indicating the true place of production. This paragraph shall not apply to designations which by usage and common knowledge have lost their geo-

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811 For previous related correspondence, see _Foreign Relations, 1933_, vol. ii, pp. 155 ff.
graphical significance to such an extent that they have become generic, provided the approval of the Administration is obtained prior to using such designation."

(2) Labeling of distilled spirits: "Section 12(g). Geographical Brand Names:

The word ‘Brand’ shall be stated in direct conjunction with a brand name containing a geographical name or adjective as a part thereof, in type at least one-half the size of the type in which such geographical name or adjective is printed on the label, unless such distilled spirits were in fact produced in such place."

Copies being mailed.

Hearings on tentative draft of wine regulations proposing similar provisions will be held at Washington September 17. French Embassy is being notified.

PHILLIPS

811.114 Liquor/762: Telegram

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

PARIS, August 30, 1934—5 p.m.
[Received August 30—2 p.m.]

645. For Phillips. Referring to the Embassy’s telegram No. 619, and the Department’s reply 343, August 23 [22], 6 p.m. Embassy would like to use proposed regulations concerning geographic names for champagnes and other sparkling wines, still wines, brandy and "other liqueurs and spirit cordials" in an endeavor to secure removal of [restrictions] as for instance application of 2, 4 and 6 percent import turnover tax. To do so it would be necessary to be assured that Federal Alcohol Control Administration will defer decision if domestic situation permits pending termination Embassy’s conversations on the subject. We might take the stand that while as known [an?] amendment of the regulations is contemplated in such a manner as to give satisfaction to long sought desire of French for protection of geographic names there is considerable opposition to the move and that a quid pro quo in way of turnover tax would assist in overcoming objections.

If the Department approves this effort which was indorsed by Dr. Feis 52 prior to his departure I should appreciate being informed telegraphically concerning general outline of regulations as contemplated and whether all of the above described French alcoholic beverages would be affected. For goodness sakes give us opportunity to trade; possibly we can get something.

STRAUS

52 Herbert Feis, Economic Adviser, Department of State.
WASHINGTON, August 31, 1934—6 p. m.

355. Your 645, August 30, 5 p. m. We are delighted that you have found an opportunity to put pressure upon the French, particularly in the matter of the turnover tax.

We have been in touch with Federal Alcohol Control Administration this morning. As far as the regulations concerning geographic names for brandy and spirits is concerned, there is nothing to be done as the orders have been promulgated and are in effect. In so far, however, as wines are concerned, the regulations relating (1) to standards of identity and quality for wine, (2) to standards of fill for wine, and (3) to the labeling of wine, have only been tentatively drafted and are to be discussed at two hearings, the first now being held in California, the second scheduled to be held at Washington on September 17. In practice it takes approximately 2 weeks after the hearings for the evidence presented to be sifted and acted upon. There is no doubt but that there is considerable opposition on behalf of the wine growers in California, New York and Ohio, who feel that their rights vis-à-vis the importers are not being sufficiently preserved. There is reason to assume that this point of view will have to be given careful consideration.

Following these hearings the Federal Alcohol Control Administration will draw up in a more definite form the regulations in question but has undertaken not to promulgate these without a careful study with the State Department of their effect on our trade with foreign countries.

I may add confidentially that in this study the attitude of the State Department will undoubtedly be more favorable if a quid pro quo can be shown.

Texts of regulations forwarded by pouch August 28th.53

PHILLIPS

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811.114 Liquor/771

The American Embassy in France to the French Ministry for Foreign Affairs 54

AIDE-MÉMOIRE

In a note of April 3, 1934,55 the Embassy recalled the existing discrimination against American exports to France in the matter of the

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53 Instruction No. 544, not printed.
54 Transmitted to the Department by the Ambassador in France in his despatch No. 1188, September 11; received September 20.
55 Not printed.
application of the 2, 4 and 6 per cent import turnover tax which arises from the circumstance that France has suppressed the higher rates of the tax in favor of Belgian and Italian products and the products of certain other countries. While citing the point of view of the American Government that the removal of this discrimination should not depend upon the granting to France of what might be considered compensating advantages the Embassy pointed out that in actual fact its Government did accord to France as a _quid pro quo_ for the removal of the discriminatory tax on copper the elimination of the restrictions on French samples of women's wearing apparel entering the United States, this advantage having been given without waiting for the French Government to make the necessary adjustment with regard to copper which had orally been promised. As the Ministry for Foreign Affairs is aware, the satisfaction sought by the United States in regard to copper was never given.

The Ministry for Foreign Affairs replied to the Embassy's note in a note dated May 7, 1934. In the last paragraph the Ministry stated that it might reexamine the whole question when circumstances permit. It is believed that as stated somewhat further below, conditions have now so shaped themselves as to render it advantageous to the French Government to give further and serious consideration to the matter.

It may be remembered that the Embassy, in a note of May 16, 1933, asked the removal of the discriminations inherent to the present application of the import turnover tax as concerns all products imported from the United States. The Ministry for Foreign Affairs responded under date of May 20, 1933, stating that a bill had been laid before the French Chambers authorizing the French Government to reduce the import turnover tax to 2% "en ce qui concerne tout ou partie des produits originaires des divers pays étrangers dont la production est grevée de charges fiscales équivalentes à celles que supporte la production française ou qui auront conclu avec la France des arrangements spéciaux à cet effet". The Ministry's note continues, "Dès que cette loi sera votée et mise en vigueur, ce qui ne saurait tarder, le Ministère des Affaires Etrangeres se mettra en rapport avec l'Ambassade pour examiner la question avec elle". (It is interesting to observe that

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[^28]: Not printed.
[^29]: Note No. 2386 from the Chargé In France to the French Minister for Foreign Affairs, _Foreign Relations_, 1933, vol. ii, p. 156.
[^30]: See telegram No. 234, May 22, 1933, 4 p. m., from the Chargé in France, _ibid._, p. 157.
[^31]: Translation: "with regard to all or part of the products of origin in the several foreign countries on the production of which taxes are levied equivalent to those placed on French production, or which will have concluded with France special arrangements to this effect."
[^32]: Translation: "As soon as this law is passed and put into effect, which will not be long, the Ministry for Foreign Affairs will get in touch with the Embassy in order to examine the question with it."
the Ministry’s note coupled with this question the desire of the French Government to secure protection in the United States for French wines as regards the use of geographic names of origin.) While the bill cited by the Ministry was not approved by Parliament last year an analogous law was later approved by Parliament and signed by the President of the Republic on March 10, 1934. This law affords the French Government the authority, up to November 15, 1934, to effect by decree the reduction of the higher rates of the import turnover tax in favor of the products of another country. It would appear therefore that the French Government has at its disposal the means for affording relief to American products as regards the import turnover tax.

While the Embassy, in reply to the Ministry’s note of May 7, 1934, must reaffirm that the American Government is still of the mind that the discriminations in the application of the import turnover tax should be gratuitously removed and in particular that the oral understanding relative to a reclassification of copper should be fulfilled, it is at the same time mindful of the mutual interest of both Governments in improving commercial relations. It therefore invites attention to developments in the United States which may possibly be turned to the advantage of France.

The French Government has long sought protection of geographic names of origin of French wines. On August 10, 1934 the Federal Alcohol Control Administration promulgated regulations, which it is believed will prove satisfactory to foreign interests, which would provide protection for geographic names employed for distilled spirits. Of particular interest to France is the protection henceforth afforded to brandy or cognac.

The Embassy is now informed that hearings will very shortly be held regarding the granting of analogous protection to geographic names of wines. It is, however, learned that considerable opposition to the proposed wine regulations has developed in the United States, notably among the wine growers in California, New York and Ohio. Further, prior to the promulgation of the regulations concerning geographic and distinctive designations of wines, the regulations will be referred to the Department of State at Washington for consideration in the light of their effect on American foreign commerce etcetera.

The Embassy realizes that the French Government has for long considered that the adoption of such regulations as those now contemplated is of the utmost importance to the French wine trade. In fact protection of the nature was one of the demands made by the French Government during the course of the commercial treaty negotiations two years ago, a declaration in that regard having been suggested as an annex to the draft treaty. In consequence, it is felt

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that the French Government will desire that everything possible be done to assure the promulgation of the regulations in question.

It therefore occurs to the Ambassador that through the cooperation of the Ministry for Foreign Affairs and the Embassy, it may be practical to secure the approval of the wine “name” regulations which the French Government has so long sought and at the same time liquidate some of the problems which have proved irksome to American producers.

The Ambassador feels that it might weigh heavily in overcoming opposition in the United States to the regulations now under study if American interests in general could be assured of a substantial quid pro quo in return for the consideration given French geographic names of wine origin. Such a quid pro quo would doubtless also tend favorably to influence the Department of State in reviewing the effects of the regulations on American foreign commerce.

The Ambassador therefore proposes to the Ministry for Foreign Affairs to employ his good offices before his Government to the end that adequate protection be given geographic designations, upon the understanding that the Ministry similarly will exercise its good offices in obtaining certain adjustments sought by American trade. To be specific, there is suggested as possibly satisfactory to the American Government the reduction of the import turnover tax to 2% as concerns all products entering France from the United States and the granting to the United States of modus vivendi treatment, that is the minimum tariff rate, on American rice (in this latter connection please see the Embassy’s note No. 939 [507] of March 29, 1934).62

If the Ministry for Foreign Affairs is in agreement with this procedure the Ambassador hopes that immediate steps may be taken to reach an arrangement, since not only does the special authority granted the French Government for free negotiation on the import turnover tax shortly expire but it is important that prior to the termination of the study of the regulations for wine names, now going on in the United States, every effort be made to make them as advantageous to France as the domestic situation shall permit.


811.114 Liquor/772: Telegram

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

Paris, September 20, 1934—5 p. m.
[Received September 20—3:10 p. m.63]

692. Reference my telegram No. 662, September 7 [8], 2 p. m., and despatch No. 1198 of September 11, 1934.64 Note has just been re-

62 Not printed.
63 Telegram in three sections.
64 Neither printed.
ceived from Foreign Office in response to proposal contained in Embassy's aide-mémoire of September 7. The Foreign Office is insistent on obtaining protection in American markets for names of origin of French wines and emphasizes that such protection must be complete and be based on French law of May 6, 1919, which provides that names of origin are the exclusive property of those entitled thereto by said law; that is, the names must not be inexact or employed only when accompanied by a qualifying expression such as type or American.

The Foreign Office states it would be glad to conclude an accord provided it contains same guarantees to French wine quoted as are contained in law of May 6, 1919 and commercial conventions on subject negotiated by France with numerous countries including Belgium and Spain it being implied that if such satisfaction can be given the United States may receive relief from 4 and 6 percent import turnover tax on all products.

In case a material delay is necessary for putting into effect such guarantees for French wine names and American Government desires prompt relief from import duty turnover tax Foreign Office is willing to attempt to find basis for agreement on subject. The Foreign Office prefers to consider granting of minimum tariff on rice as subject for separate understanding, a view which I foreshaw as probable.

The French note is unsatisfactory in that their demands might possibly entail legislative action or treaty to effect the guarantees asked as to geographic names. On the other hand I gather from conversation that French Government may be asking for the maximum but be willing to accept somewhat less. Fundamentally the French desire the complete interdiction of the use of generic marks as I understand from the regulations on distilled spirits was done in the case of cognac which seems satisfactory to them if penalties for abuse are sufficient. They orally suggest that we coin distinctly American wine names or else use some descriptive expression. While not attempting to suggest a solution there would seem to be numerous possibilities such for example as the use of American geographic names like White Santa Clara Valley wine, names which would gradually become distinctive.

The French Government representative requests that we inform it as soon as possible how far we are prepared to go in granting protection stating that they will give study to any counterproposal. Since it was intimated that if the advantages accorded are not considered fully compensatory the French might hesitate in giving relief from the import turnover tax to the complete list of American products. The Embassy emphatically stated that no bargaining would be entertained and that Embassy's proposal might be considered withdrawn.
provided they were not disposed to afford complete relief. Despatch will follow.\textsuperscript{65}

Please telegraph how far the American Government is able to go in meeting French desire as to entire suppression of generic names and penalty measures for abuse and in the meantime I strongly urge sudden definitive action by the Federal Alcohol Control Administration on wines and champagne be deferred.

\textbf{Straus}

\textsuperscript{811.114 Liquor/776 : Telegram}

\textit{The Secretary of State to the Ambassador in France (Straus)}

WASHINGTON, September 22, 1934—3 p. m.

383. Your 692, September 20, 5 p. m. We have gone over your telegram thoroughly with F. A. C. A.\textsuperscript{66} We cannot prevent the use of certain generic French wine-names, originally geographical, such as Champagne, Burgundy, Chablis, Sauterne, which have in this country become the accepted descriptive names of types of wines. In regard to these few, all we can do is to require that labels conspicuously disclose the true place of origin and/or describe the product only as "Burgundy type", etc. We can, however, prevent the use of proprietary names such as "Chateau Yquem", and of geographic names which have not by long use here come to mean wine of a particular type. The French should submit a list of the names for which they seek protection. We can then indicate those on which we can or cannot give full protection.

The foregoing represents much more than we had at first thought possible in meeting French wishes. It is a step which we do not have to take and is something for which, if we do it, we shall expect expeditious correction of the turnover tax discrimination and \textit{modus vivendi} treatment on rice.

We are not interested in the conclusion of a \textit{modus vivendi} with respect to the turnover tax and wine labels. A simple exchange of notes would be sufficient.

The French are obviously putting forth their maximum demand and are seeking a very substantial \textit{quid pro quo} for the removal of a flagrant discrimination against our trade—a discrimination built up for the purpose of bargaining. Furthermore, they seem to overlook the moral obligations they are under, at least in connection with copper, arising from our action in the dress sample case.

\textbf{Hull}

\textsuperscript{65} Despatch No. 1224, September 21; not printed.

\textsuperscript{66} Federal Alcohol Control Administration.
Memorandum by the Second Secretary of Embassy in France
(Williamson)  

PARIS, September 28, 1934.

This morning, on behalf of the Ambassador, I again called upon M. de la Baume, Director of the Commercial Section of the Ministry for Foreign Affairs, in order to discuss in detail the proposal that the French accord American products relief from the higher rates of the import turn-over tax and grant the minimum duty on American rice in return for protection of French geographic wine names. The Embassy based its conversation upon the content of the Department’s telegram No. 383 of September 22, 3 p. m., 1934.

The Second Secretary pointed out that the American Government strongly feels as it always has that the discrimination inherent to the application of the higher rates of the import turn-over tax to American products, while such rates are not applied to the products of some other countries, should be removed without the offering of any quid pro quo and that furthermore a certain moral obligation attaches to the French Government in this regard on account of the assurances which the latter some time ago gave and never carried out with regard to the reclassification of copper. Amplifying this statement, the Secretary asserted that the French Government instead of recognizing the injustice of the present situation and attempting to place trade between the two countries upon as untrammeled a basis as possible asks the maximum of a quid pro quo for rectification of the American position and that it is evident from my Government’s telegram that the Department of State has been somewhat irritated and justly so by this new manifestation of the propensity to bargain. M. de la Baume countered by affirming that the import turn-over tax was by no means erected as a bargaining weapon; that in every instance where the higher rates of the tax had been removed for the benefit of other countries France had insisted upon a satisfactory quid pro quo and that in fact it is legally bound so to insist. He stated furthermore that there is evidently a sharp misunderstanding between the Foreign Office and the Embassy concerning the interpretation to be placed upon the oral promise of two years ago to reclassify copper, in actual fact the French authorities having indicated their disposition to adjust the copper matter in return not only for the admission to the United States of dress samples but as well (and basically) in return for protection of French designs and models. I replied that such an understanding is utterly incomprehensible to me since the memoranda and telegrams which we

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67 Transmitted to the Department by the Ambassador in France in his despatch No. 1248, October 1; received October 11.
have on the subject make it clear that only the free entry of dress samples was envisaged. I offered to show M. de la Baume our archives on the subject. He said that of course he was not here at the time but that he had gone into the matter very thoroughly and that if we had thought that only the dress samples were concerned we had in some manner misinterpreted the conversations with French officials since the latter had all regarded the protection of designs and models as paramount. He also cited, in rebuttal of any allegation that France always drove hard bargains, that after the devaluation of the dollar the French Government had not levied the exchange compensation surtax against American products and that this omission had brought charges of discrimination from other countries.

Cutting short the fencing relative to the background of the situation, the Secretary proceeded to inform M. de la Baume of just how far our Government is prepared to go in the present discussions and how far it cannot go. The ensuing conversation was friendly and most satisfactorily frank on both sides.

I told him that the French Government was asking much more than we could possibly accord in the way of protection for wine names. He replied that he had visualized that such would probably be the case which was the reason for his inserting at the end of the last French note the suggestion of a compromise solution if the Embassy desired immediate relief under the import turn-over tax. I then said that my Government could not possibly envisage giving the protection requested to French geographic wine names which, because of long usage, had become generic in the United States. These names include such nomenclatures as Bordeaux, Champagne and Sauterne. However, with regard to these names, M. de la Baume was informed that we could grant protection which should be reasonably satisfactory to French interests; that is that the use of these generic names would not be permitted unless coupled in outstanding characters with the employment of a qualifying word such as type or an indication of where in the United States the wines were manufactured or both. As to proprietary names we would be glad, if our demands are met, to afford full protection; in other words the total interdiction of the employment of such names as in the instance of cognac. The Foreign Office representative was further advised that if he would submit a list of geographic names on which full protection was desired the American Government was disposed to consider it and to state precisely which names could be given full protection and which could not.

M. de la Baume remarked that it is above all names such as Champagne and Burgundy for which the French Government desires full protection and that any arrangement not including complete protection on these names would be entirely unsatisfactory to France. He
said that in particular competition for French champagne with the cheaper champagne produced in America is very difficult and it is rendered more arduous by the use by American producers of the word champagne since the American public, if two products are offered both bearing the name champagne, would naturally be inclined to purchase the cheaper article, i. e., the American champagne. I informed M. de la Baume that, as a matter of fact, there is but very little difference in the price on the American market between the two champagnes and that the clientele which is accustomed to drinking French Champagne would probably not be deterred in continuing to do so by the slight difference in price. He said that this might be so, but in order to put French Champagne on the American market at such reasonable rates in spite of the payment of high duties and the excise tax, it was necessary for French producers to export to the United States at quotations which yield insufficient profits. In any case, M. de la Baume was unswerving in stating that relief on the import turn-over tax could not be granted the United States unless we granted full and satisfactory protection to French wine names. In this connection, he cited recent commercial conversations with South Africa and Canada, in which France had obtained entire satisfaction in the former country and almost complete satisfaction in the latter Dominion. I said that regardless of the concessions made by other governments, my Government could not possibly go any further than it has in its present offer and that, if his views were unalterable, ours were likewise. It was added that, as M. de la Baume had himself intimated, we were also indisposed to compromise and insisted on the lifting of the 4 and 6% tax on all American products and not merely on copper and some other products. Under the circumstances I said we had better abandon here and now the efforts to reach an accord on the present basis.

M. de la Baume said that had been his idea as well and that he therefore now proposed instead that, if we still want prompt relief on the import turnover tax, France is prepared to give it on the basis of a tariff concession. I told him emphatically that while I could not speak for the moment on behalf of my Government I was strongly of the opinion that the United States would not desire to couple tariff matters with the import turnover tax. I said that it would seem preferable under the circumstances to defer settlement of the import turnover tax matter until the time of the resumption of the commercial treaty discussions. He remarked that he had been under the impression that we were very anxious to obtain immediate relief on the tax question. I said that of course we desired early adjustment of the matter but that we were under no new impelling urge and that our overtures at the present moment had been made simply because of the
consideration now being given in Washington to the wine label regulations, which seemed to render the occasion a propitious one to attempt to obtain for France as full protection for wine names as possible and at the same time to liquidate once and for all the import turnover tax controversy.

M. de la Baume returned to his thesis of granting import turnover tax relief on the basis of tariff concessions. He said that France would be glad (by a mere informal exchange of notes as previously suggested) at once to reduce the import turnover tax on all American products to a uniform 2% in exchange for a tariff concession. He asserted that there were several such concessions which France had long wanted, among them, for example, a reduction in the duty on lace and a reduction in the duty on cigarette paper. He said that in the Calais district the lace business is in a most dire state on account of the falling off of lace exports and that unemployment there is very large. As to the cigarette paper, he observed that while admitting that French exports to the United States of this product are thus far holding up most satisfactorily, there is reason to believe that the future of this trade is greatly menaced. One of the threats to the trade comes from the recent installation in the United States of a factory which will probably constitute serious competition, protected as it is by the high rates of the present duty. I immediately reiterated my personal feeling that tariff reductions should wait upon commercial treaty negotiations and stated frankly that he might well realize that our Government would probably find it inexpedient to relinquish at this time such a potent trading factor as the possible reduction of the duty on French lace, especially since we would undoubtedly have numerous tariff concessions to request of France when the treaty discussions commence. He replied that the United States already has a wealth of trading material for the treaty negotiations such as, for example, the matter of the excise tax and duties on wine. I here made a final attempt to get the Foreign Office representative back to the wine name *quid pro quo*, stating that it would seem to me preferable for the French to avail of the present opportunity for reasonably satisfactory protection of wine names rather than to discard the occasion thinking to obtain more at a later date, since it would appear unlikely that time will alter my Government’s views on the subject. He reaffirmed that the present American offer is unacceptable even provisionally.

In conclusion M. de la Baume inquired if the Embassy would receive a proposal for liquidation of the import turnover tax difficulty in return for tariff concessions. I observed that we would of course be interested in learning the French point of view but that, in the first place, I could not commit my Government to any serious study of such a proposition and also I wanted it clearly understood that the initiative
in this regard comes from France and that the Embassy is not seeking a tariff proposal. He said he entirely comprehended this stand but that if we did not object he would in the next few days forward to the Embassy, in order that we might see if there were any basis therein for negotiation, a counter-proposal. This counter-proposal would name, in order of preference, several tariff items which the French desire reduced. I remarked that of course we had no objection to receiving such a communication but that, speaking frankly, if the proposal were made, it should not be an exaggerated one. I emphasized that it would be inadvisable to send a list of several tariff items upon which relief is desired in the hope of bargaining and only obtaining ultimate satisfaction on one or two items. I further suggested that in my opinion in submitting a list he should in the first instance reduce the tariff demands to the final minimum and that the proposal should be coupled by a concrete statement of exactly what France was prepared to grant in return, that is, that it offers complete import turnover tax relief on all articles of American production. M. de la Baume said that he is in thorough accord with this view and that the French Government of course intends to give us complete relief from the tax without any quibbling if we would give a counterpart in the way of tariff reduction. Moreover he stated, in regard to the emphasis laid by me upon not exaggerating French demands, that while he would submit a list of several French products for which tariff reduction is desired, we might be definitely assured that France would let us choose among those articles and that only relief on a single tariff item would be expected.

As to the minimum tariff on rice, the Foreign Office holds that that issue should be considered separately. It does not believe that the French should be bound to offer what we call modus vivendi treatment on articles like rice, when the augmentation of the duties on the article in question were imposed for the protection of the colonies, the matter therefore becoming a colonial rather than domestic one. In other words, if French Indochina is asked to make a concession to the American rice trade, that colony should be given satisfaction in some other way, in the present instance in the way of the removal of the excise tax on Indochinese coal.

In leaving I referred to previous conversations concerning the expediency for France of building up a good atmosphere in the United States in anticipation of the treaty negotiations and remarked that a generous attitude with regard to the import turnover tax would be a useful contributing factor.

HAROLD L. WILLIAMSON

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65 See pp. 190 ff.
The Ambassador in France (Straus) to the Secretary of State

No. 1269

PARIS, October 9, 1934.
[Received October 16.]

Sir: In my despatch No. 1248 of October 1, 1934, and my telegram No. 713 of October 1, 5 p.m., I had the honor to report that the Ministry for Foreign Affairs felt that the degree of protection which the Government of the United States is prepared to accord to French geographic wine names is not sufficient to justify the suppression of the higher rates of the import turnover tax levied against American products imported into France. The Ministry therefore asked that the American Government consider a counter-proposal under the terms of which full relief for American products under the import turnover tax would be afforded in return for the granting by the American authorities of a tariff concession in favor of a single classification of French exports to the United States.

A note from the Ministry, dated October 8, has just been received, furnishing the French counter-proposal. The text and a translation of the note are appended hereto.60

The Ministry states, in effect, that while it appreciates that the American proposal would bring about an amelioration of the situation as regards the protection of French names of origin, it would still not afford protection consonant with that accorded under French law or under guarantees given by treaties with other states. This being the case, and the suppression of the higher rates of the turnover tax on American products involving, it is stated, an annual loss to the French treasury of thirty millions of francs, the Ministry does not feel that the concession offered by the United States would compensate for the benefits asked of France.

In consequence, the Ministry suggests a new basis of negotiation. It offers to reduce the 2, 4 and 6 per cent import turnover tax to a uniform 2 per cent as regards all products subject thereto imported from the United States. In return it asks (in pointing out the deplorable conditions existent in the Calais district and the drop of exports of lace to the United States from 90 to 11 millions of francs in three years) that the Government of the United States reduce the duty on French laces by 50 per cent, or to a 45 percent ad valorem basis.

The Ministry earnestly hopes that its proposal may be given sympathetic study and expresses the belief that if an arrangement is reached upon the ground suggested a mutually profitable augmentation in the commerce of the two countries will surely result.

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60 Neither printed.
65 Not printed.
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If the Department will consider any modification of the tariff on laces, I should like to be so informed. The Calais district, while apparently not of major importance industrially, appears to be politically of considerable importance. It is even conceivable that if the Department acquiesces in principle to some reduction in the tariff on laces, the Embassy may be able to trade that concession for greater concessions than the French Government now offers.

Respectfully yours,

Jesse Isidor Straus

INFORMAL REPRESENTATIONS TO THE FRENCH GOVERNMENT WITH RESPECT TO DISCRIMINATORY RESTRICTIONS ON THE IMPORTATION OF NITRATES

651.116 Nitrate/69: Telegram

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

WASHINGTON, November 8, 1934—4 p. m.

456. The Barrett Company informs the Department that nitrate allotments for the fertilizer year 1934–1935 have been made and that a total global allotment of 100,000 tons has been provided for. Out of this amount 80,000 are said to have been allocated to Chile and 20,000 to Norway, with no provision for American nitrate. Last year American nitrate interests obtained about 33 percent of the importations and about 24 percent in the previous year. Please take this up with the appropriate authorities and endeavor to get for American interests an allotment commensurate with the share which has been given to them in previous years.

Phillips

651.116 Nitrate/70

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

No. 1347

Paris, November 8, 1934.
[Received November 17.]

Sir: I have the honor to refer to the Embassy’s despatch No. 668 of February 28, 1934, and previous correspondence concerning the efforts, which were finally successful, to secure a share in French imports of nitrate for the past season. As the Department will have learned from my telegram No. 828 of November 8, 1 p. m., 1934, as the time arrives for the partition of licenses for the current season the

"Not printed.
United States again finds itself threatened with being shut out of the nitrate market here.

The present situation is sketched in a memorandum of a conversation of November 6 between an officer of the Embassy and M. Baudier of the Ministry for Foreign Affairs, and in a memorandum prepared on November 7 by the Assistant Commercial Attache. It may be remarked concerning the first memorandum that the visit to M. Baudier was a pro forma one made not with any expectation of concrete results but with the purpose of checking on the attitude of the Ministry for Foreign Affairs on the subject. No satisfaction has ever been obtained from M. Baudier with regard to nitrate problems, his attitude being consistently one of vagueness and courteous obstruction. However, he is an official who cannot be ignored since he evidently has a considerable voice in general policies as concerns foreign purchases of nitrate. The sources of information quoted by the Assistant Commercial Attache confirm certain of the statements made by M. Baudier and at the same time throw into relief certain factors omitted by him. It is believed that the latter memorandum accurately reflects the situation.

As may be observed, the chances of obtaining for the United States an allocation of nitrate licenses for the present season are less than in the past and will doubtless become increasingly so in future years. It may be remembered that in the instance of the past season an American share was obtained only by virtue of Germany having passed on to the United States a portion of its allotment. Obviously, American producers should not be dependent on arrangements with third countries. The Embassy is convinced that arguments advanced to the French based on maintenance of the "open door" will not prove effective. If time were not such an essential element it would seem expedient to obtain the necessary guarantee of annual American participation through the introduction of an appropriate provision in the ultimate commercial treaty with France. Such not being practicable before the allocation of this season’s licenses, other means must be sought.

The only practical procedure to this end, short of the granting of a quid pro quo, would appear to the Embassy and Commercial Attache to lie in insisting upon rights given the United States by the terms of the Franco-American quota agreement of May 31, 1932. Paragraph A of the agreement provides for most-favored-nation treatment as regards quotas and restrictions. The French would doubtless respond, with accuracy, that there is no quota on nitrate. However, the nitrate

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* Neither printed.
* See pp. 175 ff.
regime would seem plainly to fall under “restrictions on importations” and so to be covered by the agreement.

Furthermore, according to the provisions of paragraph B it is agreed that the quota on a product, the importation of which from the United States was inferior to 10% of total imports from all countries in 1931, shall be fixed at the level of imports from the United States in 1931—this provision not to apply to quotas affecting agricultural or fishery products. If we insist on the putting into force of this clause as regards nitrate we should be entitled annually to licenses for 21,659 metric tons, the French figure for imports of nitrate from the United States in 1931.

Endeavoring to anticipate the reaction of the French Government to a claim put forward on this basis, it might be replied by it, first, that despite the inclusion of the phrase “import restrictions” in paragraph A, in actual fact only the word “quota” is employed in paragraph B and that, as previously stated, there is no quota on nitrate. We, on the other hand, could of course maintain that “restrictions on importations” is included by inference in paragraph B. Further, the French Government might argue that it is stipulated that the provisions of paragraph B do not apply to quotas affecting agricultural products and that nitrate is used for agricultural purposes. This argument would appear specious as, regardless of the use made thereof, nitrate is certainly an industrial and not an agricultural product and is used for industrial purposes as well as agricultural. Finally, the Government might maintain that there is a difference between natural and synthetic nitrate, that this season’s imports will be largely of natural nitrate and that American shipments in 1931 were in the main synthetic. The answer to this seems to be that the French tariff schedule fails to differentiate between the natural and synthetic product so that it would be inconsistent to do so for licensing purposes. The French Government may likewise assert that the allocations to be given Chile and Norway are made in pursuance to agreements affording France a quid pro quo.

The Embassy cites in some detail the obstacles which possibly would be encountered in basing the American position regarding nitrates on the guarantees contained in the quota agreement, since it is only fair to state that the French Government would probably not easily yield to representations predicated on the 1932 understanding. On the other hand no other recourse seems to remain to the United States for securing an assured annual share in nitrate imports.

I should appreciate it if the Department would give careful study to the wisdom of insisting on an annual allocation of 21,659 tons of nitrate in virtue of the provisions of the quota agreement. This fig-
ure, although only half of that finally obtained last season and but a quarter of that for the previous season, is more than the American trade can reasonably expect to gain in future years under a continuation of the licensing system if protection is not accorded. If the Department has any other and more advantageous procedure to suggest it would be welcomed. I should appreciate a telegraphic reply to the present despatch.

It would seem to me well, in view of the probability that the French Government may shortly again approach the Department with regard to the initiation of commercial treaty negotiations, if the Department would invite the attention of M. de Laboulaye to the nitrate situation with a view to the Ambassador's communicating the Department's observations to his Government. Obviously any action taken by the French Government in further restriction of free trade between the two countries could not but be prejudicial to the pending negotiations.

Respectfully yours,

Jesse Isidor Straus

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861.116 Nitrate/71: Telegram
The Ambassador in France (Straus) to the Secretary of State

Paris, November 20, 1934—7 p.m.
[Received November 21—10:15 a.m.]

862. Reference my despatch No. 1347 of November 8 and Department's telegram No. 456 of same date. Note just received from Foreign Office in response to Embassy's representations asking maintenance American position in French nitrate market. The note, a copy of which goes forward in today's pouch, states: The allocation of licenses has never been based on previous imports and if it had we would not have fared as well as recently since in 1930 (alleged year of institution of nitrate regime) no nitrate was imported from the United States (Embassy's note: regime appears to have been instituted in 1931 when we did export to France\(^a\)) that French Government is not in a position to modify regime or subordinate allocation of licenses to question of price especially in view of Ministry's understanding of price fixing purpose of nitrate cartel to which American interests are reported to have adhered and that while no definite commitments have yet been made the Government expects to allocate practical totality of licenses to Chile on account of farmers alleged preference for the natural product.

Straus

\(^a\) Not printed.
\(^b\) Further communication with the French Government confirmed the accuracy of the Embassy's comment (861.116 Nitrate/76, 77, 89).
The Secretary of State to the Ambassador in France (Straus)

WASHINGTON, November 21, 1934—6 p. m.

469. Your despatch 1347, November 8, and telegram 862, November 20. I think your suggestions in connection with paragraphs A and B of the 1932 agreement are sound. By whatever name the restriction operates much the same as a quota. A global amount is fixed and shares allotted out to various suppliers. Nitrate as a commodity in trade need not be treated any differently than any other commodity and if we accept the theory that any commodity can be pulled out of the general scheme of quotas or trade in general and allotted without reference to prior trade, there would be nothing to hinder the French from treating all our trade in the same way.

Hull

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

PARIS, November 23, 1934—noon.
[Received November 23—10:25 a. m.]

869. Reference my No. 862 of November 20, 7 p. m. In order that in approaching Foreign Office in sense of Department’s telegram No. 469 of November 21, 6 p. m., certain points raised in Foreign Office note may simultaneously be refuted it would be appreciated if Department would teletgraph whether as alleged American producers were parties to nitrates cartel instituted in June and July at Basel and London. Aikman * states that the Barrett Company was not a party and that so far as he is aware neither were other American producers.

Straus

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

WASHINGTON, November 24, 1934—3 p. m.

473. Your 869, November 23. So far as we can determine American nitrate interests are not parties to the nitrate cartel, although there are indications that they are on friendly terms with cartel members.

Hull