SPAIN

AGREEMENT FIXING QUOTA FOR IMPORTS OF WINES AND SPIRITS FROM SPAIN IN RETURN FOR INCREASED PURCHASES OF AMERICAN TOBACCO BY SPANISH TOBACCO MONOPOLY, EFFECTED BY EXCHANGE OF NOTES SIGNED FEBRUARY 16 AND 23, 1934

611.526 Wines/18

Memorandum by the Secretary of State

[WASHINGTON,] January 25, 1934.

The Spanish Ambassador called and said that some countries had received an improvement or increase in wine quotas, and Spain desired similar treatment. He said that his government heretofore had not practiced the quota policy but it was in a position to do so now. He also said that the United States Government was suggesting that should Spain purchase some 4 million pounds of tobacco from us, the United States would permit the purchase of 800,000 gallons of wine from Spain; that that proposal was now pending and he expected to hear from his government at any time. He stated in connection with the discussion that Spain bought three times as much from the United States as the United States bought from Spain and that therefore it was difficult for Spain to cooperate as fully and as satisfactorily in a commercial way with the quota system as otherwise she would be in a position to do. I replied that pending the decision of his government on the tobacco proposal there was little I could do to cooperate with him. He inquired when the President would seek authority from Congress to negotiate reciprocal commercial treaties, and he expressed the hope that this would be done so that his government would be in a better position to work out agreements with the United States which would embrace broader trade relations. I told him that I had not yet had a chance to confer with the President on this subject.

The Ambassador also inquired whether the United States quota policy relating to liquors, wines and cordials, would be continued through this year, or whether it would end in February or April. I stated that I thought the President had not yet passed upon this matter.

C[ORDELL] H[ULL]

687
Memorandum by the Assistant Secretary of State (Welles)

[WASHINGTON,] February 7, 1934.

The Ambassador of Spain called this morning. He referred specifically to the question of the wine quota for Spain. He referred with some discouragement to the failure so far to reach any agreement and said that of his own initiative he would like to make the following suggestion:

That this Government fix a quota of 400,000 gallons for Spain, Spain in return to agree to purchase a fixed quantity of American tobacco during the two and a half months period prior to May first. The Ambassador particularly stressed the fact that the Government Tabacalera could not announce in advance its program for the entire twelve months period as suggested here in view of the fact that its program is likely to change at the expiration of every three months. As an additional argument in favor of our viewing his suggestion sympathetically the Ambassador stressed the fact that considerable quantities of Spanish wine had been imported under the British quota and that this necessarily should be taken into account in fixing a total quota for Spain.

I told the Ambassador who was anxious to have as speedy a reply as possible to his suggestion, that the Department would let him know at the earliest possible moment what could be done in accordance with his expressed desire.

S[UMNER] W[ELLES]

The Secretary of State to the Ambassador in Spain (Bowers)

WASHINGTON, February 15, 1934—7 p. m.

10. Department’s 5, January 18, 6 p. m.¹ On February 9 the Spanish Ambassador brought in the first comprehensible and business like proposal we have had from Spain. Our negotiating committee immediately accepted it, except that where the Ambassador stipulated for 800,000 gallons of additional wines and spirits for the period ending March 31, this was amended to provide for 1,100,000 gallons up to April 30, 1934. A draft agreement was immediately prepared which the Ambassador said he would telegraph to Madrid. The Federal Alcohol Control Administration schedule calls for distribution of permits for March and April on February 28 and every provision has been made except with respect to Spain. Applications are on file

¹Not printed.
to import much in excess of 1,100,000 from Spain and it is desired to close this agreement and proceed with necessary arrangements for permit issuance. Otherwise matter goes over for 2 months until next permit issuance period. Can Spanish Government instruct its Embassy?

Hull.

611.526 Wines/27: Telegram

The Ambassador in Spain (Bowers) to the Secretary of State

Madrid, February 17, 1934—noon. [Received February 17—8:30 a.m.]

20. Your telegram No. 10, February 15, 7 p.m. Informed by Foreign Office instructions have been cabled Spanish Ambassador to close agreement.

Bowers

611.526 Wines/32

The Spanish Ambassador (Cárdenas) to the Secretary of State

[Translation]

No. 108/13
Ref. III.A.a.a.3

The Ambassador of Spain presents his compliments to the Honorable the Secretary of State and, referring to the conversations held respecting the importation of wines and alcoholic beverages, has the honor to inform him that he is instructed by his Government to state that it obligates itself to recommend to the Spanish tobacco monopoly the purchase of 1,585,000 kilos of Virginia tobacco, in addition to current purchases of the year.

It is understood that in consideration of this assurance the appropriate authorities of the Government of the United States will issue to duly qualified applicants permits valid until April 30, 1934, for the importation of wines and spirits from Spain up to the amount of 1,100,000 gallons, exclusive of permits already issued, subject to the code of fair competition, to the marketing agreement for the alcoholic beverages importing industry, license of the Secretary of Agriculture and to applicable legal provisions.

It is further understood that all permits issued pursuant hereto shall be valid only for the importation of wines and spirits produced in Spain, coming from Spanish ports, even if not directly, and accompanied by a certificate of origin and a certificate of analysis, or both in the same document, issued by the appropriate Spanish authorities.

[WASHINGTON,] February 16, 1934.

790532—51—50
The Secretary of State to the Spanish Ambassador (Cárdenas)

The Secretary of State presents his compliments to the Ambassador of Spain and has the honor to acknowledge the receipt of his note of February 16, 1934, in which he states that he is instructed by his Government to say, in consideration of assurances respecting the issuance of permits for the importation into the United States of Spanish wines and spirits, that his Government obligates itself to recommend to the Spanish Tobacco Monopoly to purchase in the United States 1,585,000 kilos of Virginia tobacco, in addition to current purchases of the year.

The Secretary of State has the honor to inform the Ambassador of Spain that, in consideration of the assurances contained in his above-mentioned note, the appropriate authorities of the Government of the United States will issue to duly qualified applicants permits valid until April 30, 1934, for the importation of wines and spirits from Spain up to the amount of 1,100,000 (one million, one hundred thousand) gallons, exclusive of permits already issued, subject to all applicable provisions of law and of the code of fair competition and the marketing agreement for the alcoholic beverages importing industry and license of the Secretary of Agriculture issued in connection therewith; and that all permits issued pursuant hereto shall be valid only for the importation of wines and spirits produced in Spain, coming from Spanish ports, even if not directly, and accompanied by a certificate of origin and a certificate of analysis, or both in the same document, issued by the appropriate Spanish authorities.

WASHINGTON, February 23, 1934.

The Secretary of State to the Ambassador in Spain (Bowers)

No. 82

WASHINGTON, March 13, 1934.

SIR: There is enclosed for your information a translation of a note of the Spanish Ambassador at Washington, dated February 16, 1934,² and copy of the Department’s reply, dated February 23, 1934,³ this exchange of notes constituting an agreement to issue permits for the importation of wines and spirits from Spain up to the amount of 1,100,000 gallons in consideration of the purchase by the Spanish Tobacco Monopoly of 1,585,000 kilos of Virginia tobacco, in addition to current purchases of the year.

² Ante, p. 689.
³ Supra.
The Spanish Ambassador stated orally that the Monopoly intends to buy as normal purchases 6,340,000 kilos of tobacco, but insisted that this be not entered in the agreement. The Ambassador also stated that in pounds the amount mentioned in the agreement is 3,494,291 which, added to the so-called normal purchases of 13,977,164 pounds, gives a total of 17,471,455 pounds.

The wines and spirits quota is operated under the terms of a marketing agreement for the alcoholic beverages importing industry and license for the importers of alcoholic beverages issued in connection therewith by the Secretary of Agriculture, December 6, 1933. The agreement and license provides that the minimum amount of any kind of alcoholic beverages that may be imported into the United States from any foreign country during any period shall not be less than the average amount for the like period imported between July 1, 1910, and June 30, 1914. Under this minimum provision, Spain was entitled to a quota of 394,690 gallons for the four months period ending March 31, 1934, but to round off the actual issues of 407,579 gallons, the basic quota for this period has been taken as 410,000 gallons, leaving 2,421 gallons unissued.

Early in January the Federal Alcohol Control Administration announced a second permit period comprising the two months of March and April, for which applications would be received up to January 31 and permits would be issued February 28. Under the minimum provision this established a quota for Spain of 205,000 gallons for the second permit period. Applications to import 1,896,621 gallons of wines and spirits from Spain were filed by American importers. It is understood that the permits distributed February 28 comprised the 1,100,000 gallons covered by agreement, the 205,000 gallons minimum quota and the 2,421 gallons not issued in respect of the first four months period. No publicity has been given to the issue in excess of 1,100,000 gallons.

Very truly yours,

For the Secretary of State:

FRANCIS B. SAYRE

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PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND SPAIN

611.5231/707

The Ambassador in Spain (Bowers) to the Secretary of State

No. 316

MADRID, March 21, 1934.

[Received March 31.]

Sir: I have the honor to report that commercial and financial relations between Spain and the United States appear to be approaching
something of a crisis. The recent Decree regarding “dumping”—
Despatch No. 313 of the 20th instant—while principally directed
against Japan may affect American trade in an adverse fashion. The
desire of Spain to keep the peseta tied to the French franc and the
feebleness of the peseta may cause Spain to embargo the export of
capital to the United States—Despatch No. 314 of the 20th instant—
The commercial treaty just negotiated between Spain and France and
described fully in the Commercial Attaché’s special report No. 6 of
the 14th instant is bound to affect American commerce with Spain.
On page 21 of his report, Mr. Greenup quotes an official of the Minis-
try of Commerce to the effect that commercial treaty negotiations
will soon take place with Germany, Belgium, Switzerland and Hol-
lund, as well as a little later with England and Turkey. He adds
that a Spanish contingent law may be expected in the near future.
It is obvious, therefore, that if we are among the last of the nations
to negotiate a commercial treaty with Spain on a contingent basis,
there will be very little left to Spain for bargaining purposes. Señor
Fernandez Shaw, the Acting Chief of the Treaty Section of the Min-
istry of Commerce, has stated pithily in this connection, “Last come,
last served.”

Spain is thus trying to benefit its commercial and financial position
by bargaining with other countries and in exchanging concessions
with them. The Chilean Nitrate Company, for example, is able to
export pesos as against Spanish blocked credits in Chile. If we are
unable to offer quid pro quos or to lend money to Spain should we be
asked, or to exchange tariff concessions, our relations with Spain are
sure to suffer. This is particularly so in view of the fact that Spanish
authorities keep steadily in mind the adverse trade balance with the
United States which they estimate at 300,000,000 pesetas. The present
Government is, however, friendly toward the United States and would
be eager to negotiate a commercial treaty with us on the basis of re-
ciprocal concessions. I believe, therefore, that if such action is possible
it should be taken at once. In this connection it should be borne in
mind that what may have appeared to be discriminations against the
United States are not so in fact, since every privilege accorded another
country by Spain has been in return for a concession given by that
country to Spain. We are now in a somewhat unhappy position only
because we have not been in a position to trade concessions.

Respectfully yours,

Claude G. Bowers

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* Not printed.
MADRID, March 26, 1934—noon.
[Received March 26—11:35 a.m.]

28. The Foreign Minister* in conversation Saturday asked me to authenticate officially from Washington Associated Press despatch to the effect that the Department had given out its plans to negotiate trade agreements with Spain and Italy before long. The contingent system adopted here is in operation and the Minister of Commerce and Industry recently proposed a plan restricting imports from the United States because the balance against Spain in our trade relations is far greater than with any other country and consequently is a matter of concern here and of much cloakroom discussion in the Cortes. The Foreign Minister wishing to hold off announcement postponed it because of Associated Press report but Foreign Minister who appears friendly to us is greatly embarrassed by inability of Cárdenas† to get satisfactory information on our intention. The Foreign Minister formally asked me to inform Washington from him that the Government here is very anxious to come to a mutually satisfactory trade arrangement with the United States. I believe that if I can give assurance we do intend reasonably soon at least to discuss trade agreement with Spain, Foreign Minister can and will hold off the adverse proposal of the Minister of Commerce and Industry, otherwise I am positive the restrictions will be made quite soon.

This conversation with Foreign Minister must not be interpreted as a threat. He has been and is very friendly to us and his informal and frank conversation was more in the nature of an application to us to furnish him with a reason for holding off proposals of Ministry of Commerce and Industry. Did the Department tell Associated Press Spain is on list for reasonably early consideration and can I so inform the Foreign Minister? See my despatch 316, March 21, sent by the pouch March 21.

Bowers

WASHINGTON, March 28, 1934—2 p.m.

21. Your 28, March 26, noon. I have given no statement to the press to the effect that early trade treaty discussions would be opened

*Pita Romero.
†Juan Francisco de Cárdenas, Spanish Ambassador in the United States.
with Spain or any other country. Legislation is now pending in Congress which, if enacted, will confer upon the President the authority to adjust tariff rates through reciprocal negotiations with foreign countries. I have taken the position that pending the enactment of such legislation this Government is not in a position to undertake reciprocal trade negotiations or to indicate its willingness to negotiate with countries other than those with which exploratory conversations were begun last summer (Argentina, Brazil, Colombia, Cuba, Portugal, Sweden). Ambassador Cárdenas called on me on March 1 and March 15 and inquired on both occasions whether a time could be fixed for commencing negotiations with the Spanish Government. I told him that I was well aware of the somewhat acute trade conditions between Spain and the United States, and that I was desirous of getting these matters adjusted as early as possible, but that I did not feel justified in making commitments as to the time of taking up the matter. The Ambassador was very insistent, but I undertook to convince him that we had better be certain as to what could be done and when before making definite promises; that we could not naturally fix any date to commence negotiations until Congress first gives us authority.

I appreciate the friendly disposition of the Foreign Minister towards this country, and I sincerely hope that Spain will not embark upon a program the purpose or result of which will be to reduce American imports into Spain, particularly if this is done through measures of a discriminatory character. Such a development in the face of existing discriminations against American trade could only make more difficult the negotiations which we hope can in the not too distant future be undertaken with Spain. I would of course be glad to be of assistance to the Minister of Foreign Affairs in his efforts to hold off proposals of the Ministry of Commerce and Industry, but I repeat that until we know the outcome of pending legislation it is not possible to make any commitment as to when discussions could be undertaken. You can say that I have made no promises of priority to any country. I hope you can make our position clear to the Minister of Foreign Affairs, and that he will realize my appreciation of his friendly interest in maintaining the best possible relations between the two countries, a sentiment which I fully reciprocate.

Hull

611.612 Grapes-Spain/200a : Telegram

The Secretary of State to the Ambassador in Spain (Bowers)

Washington, April 20, 1934—noon.

25. As a result of experiments carried on over a considerable period of time by the Bureau of Entomology the Department of Agriculture
announced last night that it had decided to permit, effective May 1, 1934, grapes of the Vinifera type from regions in which the Mediterranean fruit fly occurs to be entered at the port of New York and such other northern ports as may subsequently be designated provided the grapes are packed in tight barrels or other approved containers so constructed as to prevent the escape, pending sterilization, of any stages of the Mediterranean fruit fly and are delivered within 24 hours from the time of unloading to an approved sterilization plant at which the grapes will be subjected to cooling until the approximate center of the fruit in the package reaches a temperature of 30°–31° Fahrenheit and will then be held at that temperature for 15 days. The Spanish Embassy here has been informed as to details by the Department of Agriculture. You may inform the Foreign Office of the foregoing.

HULL

611.5231/801

The Spanish Ambassador (Cárdenas) to the Secretary of State

[Translation]

No. 111/08

WASHINGTON, May 18, 1934.

MR. SECRETARY: I have the honor to address Your Excellency to confirm my statement to you in our conversation of yesterday with regard to the present condition of Spanish trade and economic relations between Spain and the United States which demand a prompt change directed to the elimination of the present deficit in the present balance of payments, estimated at 143 gold pesetas per hundred, if the figures for 1932–1933 are taken as a basis.

The substantial reduction that has taken place in our exports to the United States, as a result of the increase in tariffs placed on some of our most important articles, has increased enormously with the establishment of important American industries in Spain, as this leads to a very heavy exportation of currency, the result thereof being that the deficit with the United States of America is the largest that Spain has with any country.

In view of so serious a situation, I take the liberty of drawing Your Excellency’s attention to the desire of the Spanish Government to see it changed as soon as possible, to which end it hopes that the Government in which Your Excellency holds so worthy a position will remove the great difficulties with which Spanish exports to this country are contending, and that there will be a favorable settlement of the claims, submitted some time ago, adequate facilities being afforded at the same time in order that the corresponding Spanish organization may, if it considers it expedient, make arrangements in this country for financial facilities.
I do not wish to conclude without pointing out to Your Excellency that the requests of my Government are based on principles of the strictest equity and on the urgent necessity in which it finds itself to see a change in the serious situation created to which I have previously referred.

I take [etc.]

JUAN F. DE CÁRDENAS

611.5231/804

The Ambassador in Spain (Bowers) to the Secretary of State

No. 406

MADRID, JUNE 19, 1934.

[Received June 29.]

SIR: I have the honor to make the following observations on Spanish-American commercial relations. Now that the President has been granted the power to act in the negotiation of trade agreements, the Department will be approached without delay, I have no doubt, by the Spanish Ambassador with a request for the beginning of negotiations. There is no doubt that Calderón left Madrid with very definite instructions.

From time to time during the year I have informed the Department of the attitude here toward the trade relations of the two countries and months ago, on the personal request of the President, I sent a full list of the Spanish articles of commerce in which the Government here is interested. This was prepared very carefully by the Government here.

Because of the strong balance against Spain in the case of the United States there has been agitation in some quarters here for action aimed at the reduction of our present importations into this country. At one time this was being very strongly urged and there was an influential element in the Cortes very insistent upon it in the discussions of the lobby. Santiago Alba, one of the strong men of the Government, now President of the Cortes, said at that time to an American press correspondent, though not for publication, that while he regretted the necessity something would have to be done toward correcting the trade relations with America.

At all times, however, the Foreign Minister has been against precipitate action; and after the concession on grapes and our generous treatment on wine, Pita Romero, the Foreign Minister, said to me in a general conversation:

"There was a time, two months ago, when there was a feeling in governmental circles that for some reason the United States was either

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*Trade Agreements Act, approved June 12, 1934; 48 Stat. 943.

^ Luis Calderón, newly appointed Spanish Ambassador in the United States.

^ Letter dated August 2, 1933, to President Roosevelt; not printed.

^ See despatch No. 82, March 13, to the Ambassador in Spain, p. 690.
unfriendly to Spain or at least indifferent, and in consequence there was a feeling of resentment and a disposition to take some action. But the grape concession and your generous treatment in the case of wine has completely changed this attitude. We now feel that when the President gets the power something can and will be done that will be mutually helpful."

The Foreign Ministers' reference to the conditions of two months before is not unknown to the Department, since at that time I informed it of a conversation with Pita Romero in which he said that the Department of Industry and Commerce had submitted a plan to the Foreign Office which would considerably reduce the importations from the United States. He said that he was holding this back, and would continue to do so as long as possible, and you will recall that at that time he asked me to get some assurance from Washington that it is the intention there to discuss trade relations with Spain. I replied that the Government was making no positive commitments pending the attempt to secure special tariff powers for the President, and that appeared to satisfy the Foreign Minister who has kept control of the situation.

Now that the powers are granted we shall be approached at Washington for early action, and in view of the situation here I am convinced that we should give a most sympathetic ear to the suggestion of a trade agreement, even if it cannot be undertaken at once.

I am thoroughly convinced that the Spanish are not bluffing and that an attitude of indifference in Washington long continued will inevitably result in action here that will not be to our advantage.

Respectfully yours,

CLAUDE G. BOWERS

611.5221/801

The Secretary of State to the Spanish Ambassador (Calderón)

WASHINGTON, June 25, 1934.

EXCELLENCY: Immediately prior to his departure from Washington, Ambassador Cárdenas forwarded to me a note dated May 18, 1934, in which he called my attention to the unsatisfactory condition of the trade between our two countries. I am, of course, aware of this situation and am anxious to bring about a satisfactory adjustment of the complaints which the Spanish Government may have with regard to the American treatment of Spanish goods as well as of the complaints which the American Government has against the Spanish treatment of certain American products.

I believe that these difficulties are not insurmountable and that the two governments can in a spirit of friendliness and cooperation ad-

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35 See telegram No. 28, March 26, noon, from the Ambassador in Spain, p. 698.
just them to their mutual satisfaction. I feel constrained to point out, however, that I am not able to concur in Ambassador Cárdenas’ belief that the remedy for the present situation is the adoption of measures which will lead to a leveling off of the balance of trade between the United States and Spain. It is true that exports from the United States to Spain have ordinarily in the past considerably exceeded in value exports from Spain to the United States, but I believe that this uneven balance has represented approximately the availability in the respective countries of products needed by the other. As the President of the Spanish Council of Ministers is quoted as having said in a recent speech “...”14 when Spain consumes certain products from countries which she has freely chosen, it is because she has found the line of least resistance: facility in means of communication, low prices, or better quality,—and when an attempt is made to restrict or canalize this spontaneous and natural current of peoples one can easily bring about higher prices, or poorer quality of imported products...” I believe, therefore, that the solution of the present problem lies not in the adoption of measures intended to bring about an unnatural and artificial balance but rather in the removal of present hindrances to trade in such a manner as to bring about a mutual expansion of our trade.

I am not yet able to fix a time at which it will be possible to open discussions with regard to these problems. I shall, nevertheless, carefully bear in mind this whole matter and will continue to hope that it may be possible to arrive at an early solution.

Accept [etc.]

Cordell Hull

The Spanish Ambassador (Calderón) to the Secretary of State

[Translation]

No. 112/06

WASHINGTON, June 27, 1934.

MR. SECRETARY: I have the honor to acknowledge receipt of Your Excellency’s kind note of the 25 instant, in which, in replying to the one addressed to you by my predecessor, Mr. Cárdenas on May 18 last, you are good enough to say that, being aware of the present condition of trade between Spain and the United States, Your Excellency also desires to arrive at a satisfactory adjustment in regard to the complaints which the Government of the Republic may have concerning the treatment now accorded to Spanish merchandise as well as in regard to those of the Government of the United States with respect to certain American products, and that, for the time being, Your

14 Omissions indicated in the original.
Excellency cannot fix a date on which to open discussions with regard to these problems, although you are good enough to express your belief and desire that it will be possible to reach a prompt decision in the matter.

I feel that I must express to Your Excellency the satisfaction of my Government on learning that the Government of the United States agrees with it as to the necessity of taking up as soon as possible the study of the present Hispano-American trade relations, susceptible, as Your Excellency very well says, of a solution satisfactory to both High Parties, which study, at the same time, will tend toward a greater facility for the liquidation of the credits, principally of a commercial character, which are at present creating an extremely difficult situation for official Spanish organizations, a situation which is the natural result of the burdensome deficit in our balance of payment with the United States which in 1932 (the full statistics for 1933 have not yet been published) amounted, for commercial credits alone, to the sum of approximately 109,000,000 pesetas, without counting the very large credits resulting from American capital invested in Spain, an amount which places the United States in the first rank among the countries with regard to which Spain has a commercial deficit, and which represents 46.6% of the total of the unfavorable balance of trade.

The importance for the Government of the Republic of these figures in their repercussion on foreign trade was the reason for the above-mentioned note of my predecessor dated May 18 last, the purpose of which was to bring about as soon as possible the relief of such a situation for Spain. It was written also in the interest of the export trade itself of the United States with my country, and with a view not only to early negotiations, but also, in the meanwhile, to the favorable settlement of the claims that were examined in Washington in March, 1933, by the American and Spanish experts, the majority of which are still pending.

I avail myself [etc.]

CALDERÓN

611.5231/808

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

[WASHINGTON,] July 17, 1934.

The Spanish Ambassador was requested to call at the Department this afternoon to discuss with Mr. Sayre the matter of commercial relations between the United States and Spain and the possibilities

Francis B. Sayre, Assistant Secretary of State.
of instituting conversations looking to a trade agreement. Mr. Moffat and Mr. Hickerson were present at the conversation.

Mr. Sayre began by saying that perhaps it was unnecessary for him to review in any detail the differences which have existed for some years between the two Governments. He went on to say that for a number of years the Spanish Government has objected to the height of the American tariff on certain Spanish products and that American officials in the past have been compelled to reply that so long as our duties were no higher against Spanish products than against other foreign products, there was no legitimate ground for objection. He contended that we are aware of the feeling in Spain respecting Spain’s unfavorable trade balance with the United States. Mr. Sayre went on to say that the Ambassador would, he was sure, agree with him that this unfavorable balance was occasioned almost wholly by the fact that Spain for her industries imports a large amount of American raw cotton, and that the many-sided nature of world trade, with its resulting balancing of payments between all countries, has worked in a satisfactory manner in the past.

Mr. Sayre stated that whereas in the past American officials have been compelled to state that they had no authority to discuss the height on individual products of our tariff rates, the American Government is now happily in the position to discuss such questions and that it is our hope that, in pursuance of the recent authority conferred upon the President by Congress, a trade agreement can be negotiated which will expand the trade of both countries to their mutual advantage. He continued that recent trade figures are most encouraging; during the first five months of 1934, American exports to Spain were valued at $17,000,000, an increase of 59 percent over the corresponding period of last year, and American imports from Spain during the same period were valued at $8,700,000, an increase of 148 percent over the same period of 1933. The Ambassador seemed very much impressed with these figures and remarked that he was very much pleased; he agreed with Mr. Sayre that it would be highly desirable for the two Governments to “help” this increase along by any measures which they might take to expand trade in both directions.

Mr. Sayre went on to say that now that we have authority to negotiate, he would like to see the conversations start with Spain at the earliest possible date, but that there are certain obstacles in the way which have been troubling us. He mentioned first of all the Spanish quota or contingent system. He referred to the Ambassador’s statement to him the other day that no quota had been adopted by Spain which adversely affected American products and inquired whether the Ambassador had had in mind the decree of June 24, 1934,
which restricts, among other things, imports of ordinary lumber, Diesel and semi-Diesel engines, electric motors, motorcycles, toilet soap and essences. It was pointed out to the Ambassador that our exports of lumber to Spain are important and that we also export considerable quantities of the other products mentioned. It was added that although the global amount of these contingents has been announced, Ambassador Bowers has not yet been able to obtain any information whatever respecting an American share of these contingents. Ambassador Calderón said that he could definitely assure us that these quotas had not been directed at American trade and that Spain would grant an equitable share of the contingents to American products. He stated that he was prepared to give us an undertaking that in any quotas that Spain might adopt, she would give to American trade a share proportionate to imports from the United States during a period of unrestricted trade; in passing, he mentioned the period of three years as a fair period. After a considerable amount of discussion and consideration of a draft paragraph of a modus vivendi which Mr. Sayre had before him, this draft was revised as it appears on the annexed statement [No. 2], which was, at the end of the conversation, handed to the Ambassador.

Mr. Sayre said that he was very much pleased at the attitude which the Ambassador took in respect to contingents and that that attitude impelled him to hope that something might be done in respect of the few products imported from the United States into Spain which are charged higher duties than corresponding products from certain other countries. He expressed the hope that it would be possible during the period of negotiations between the United States and Spain for the latter to extend its minimum conventional rates to those products, which includes automobiles, sulphur, automobile tires and tubes. The Ambassador stated that he did not believe that his Government could do this. He admitted frankly that these schedules are the result of bargaining between Spain and other countries, and that Spain expects us to bargain to obtain these reductions. He went on to say that in Spain it is felt that the obligations of the most-favored-nation principle are discharged when Spain accords the benefits of its minimum tariff schedule to countries' products. He added that in a few cases, after special bargaining with foreign countries, reductions are made from this minimum schedule, in the case of a few products of a particular country, and that when other countries desire to obtain these reductions, they must “pay for them”. He went on to say that in these circumstances he did not believe that it would be a good idea to press this matter.

**Brackets appear in the original; statement not printed.**
Mr. Sayre replied that his purpose was merely to explore with the Ambassador the possibilities of reaching a formula under which the two countries could open negotiations. He went on to say that he had not discussed the details of this matter with the Secretary but that he believed the Secretary would approve any reasonable formula whereby the countries could open negotiations. He added that he appreciated the Ambassador's frankness and that in the circumstances he would not press this aspect of the question. He stated further that it would be worth a great deal to us if our people could be assured that they would have the benefit of any further reductions in the Spanish tariff rates which might be granted to other countries while negotiations are under way. He stated that we would, of course, give Spain a similar pledge. The Ambassador said that he did not know how his Government would react to a proposal of this sort but that he would submit it for consideration and urge its acceptance. This proposal is No. 1 on the annexed statement which was handed to the Ambassador by Mr. Sayre.

In response to an inquiry from Ambassador Calderón as to the probable duration of the negotiations, Mr. Sayre replied that if the Spanish Government acquiesced in our present proposals for a *modus vivendi* to cover the period of negotiations, he would immediately appoint a special committee of experts to make a complete survey of trade between the United States and Spain and to prepare a statement of our desiderata. He said that he assumed that the Spanish Government would designate experts to decide upon what they want the United States to do. He said that when these surveys had been completed it would probably be some time in September. It was his idea that he and the Ambassador would then sit down and make a survey of the possibilities of reaching an agreement and if it seemed likely that an agreement could be reached, formal negotiations would then be opened between the two countries. He suggested that this whole matter be kept confidential for the present. The Ambassador acquiesced in this and said that he would get in touch with us as soon as he had a reply from his Government.

811.612 Grapes—Spain/204a: Telegram

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

WASHINGTON, August 4, 1934—3 p.m.

40. Department's 25, April 20, noon. On July 27 the Department learned that the Department of Agriculture proposed to issue a new order modifying the April 19 order by limiting importation to the
period October 15 to March 15. At our request issuance of the order was delayed. The Spanish Ambassador was called in. He said the Spanish shipping season for grapes began the latter part of September and requested that the time be moved up to October 1. I took up the matter with the Acting Secretary of Agriculture who has agreed to modify the order. Under the modified order importations, always subject of course to the provisions of the April 19 order, may be made between October 1 and April 15. With the order thus modified the time limitation does not appear to affect adversely Spanish shipments.

Hull

The Spanish Embassy to the Department of State

[Translation]

The Ministry of State has learned with satisfaction of the favorable attitude of the Department of State towards proceeding, as soon as possible, to set on foot the conversations tending to agreement upon a commercial convention between the two Parties and in its turn expresses, with due reciprocity, its cordial desires in the same sense and regarding the same purpose.

The two American proposals having been examined with much interest and sympathy, it regrets in the first place that it cannot accept the first one of them relative to customs concessions, since such concessions are by their very nature appropriate to be discussed during the negotiation, and, if accepted, to appear in the text of the Treaty.

As for the second proposal, with reference to the regime of quotas in force in Spain, the Ministry of State, desiring to give a proof to the Department of State of the goodwill which inspires it, is disposed to postpone, as much as possible, the establishment of quotas especially affecting the United States with the purpose of preventing difficulties to its commerce in Spain.

Although such postponement could not be extended indefinitely it could nevertheless be maintained until the 30th of November next, since during the month of December following it will be essential to proceed to the preparation and distribution of another large number of quotas which Spain sees herself obliged to establish from the first of January, 1935, as a consequence of the commercial policy developed in other countries,—a commercial policy which has had such serious repercussions on her national economy.

\[Supplemental order No. 1, limiting importation to the period October 15-March 15, was issued July 26; supplemental order No. 2, limiting importation to the period October 1-April 15, was issued August 2.\]
In view of the goodwill existing on the part of Spain and the United States there is no doubt that the projected Commercial Convention will be rapidly concluded and that thus without delaying the establishment of the quotas contemplated the contractual obligations contracted by Spain with other countries can be harmonized and brought in line without prejudice to the United States.

WASHINGTON, August 15, 1934.

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

[WASHINGTON,] August 17, 1934.

The Spanish Ambassador came in the day before yesterday and handed me the attached note\(^{18}\) regarding the terms of a proposed modus vivendi between the United States and Spain under which trade agreement negotiations might be undertaken. The Ambassador explained that his Government could not acquiesce in our proposal that Spain agree during the course of the negotiations to extend to American products any tariff reductions granted to other foreign products, but that they were prepared unilaterally to give us an undertaking that they would not adopt during the negotiations any quotas which affected especially the United States. I told the Ambassador that I would discuss this matter with Mr. Grady\(^{19}\) and then talk to him further.

This afternoon I asked Señor Calderón to call at the Department and Mr. Grady and I discussed with him the Spanish proposals. We expressed our disappointment that the Spanish Government could not agree to our proposal regarding customs duties during negotiations. We added that we appreciated deeply the fact that Spain was willing unilaterally to agree to impose no quotas on products in which we were especially interested during the negotiations but we pointed out that our proposal respecting quotas had also called for an assurance that the United States would be given its fair share of the quotas already adopted or other quotas which might be adopted even if the quota did not affect us primarily. We pointed out that thus far we have not been informed of our share in any of the quotas which Spain has adopted. The Ambassador said that his information was that we would as a matter of course receive our fair share of these and any other quotas; he added that he believed the quota would

\(^{18}\) Supra.

\(^{19}\) Henry F. Grady, Chief of the Tariff Section.
be based on imports for the three year period preceding the imposition of the quota. He said, however, that he would have to consult his Government about giving us a definite assurance in this matter. He added that he would do this as soon as possible and let us know. I got the impression from the Ambassador that there would probably be no difficulty on this score from the Spanish Government.

The Ambassador then asked whether there was any truth in the rumors to the effect that all negotiations should be postponed until after the November election. Mr. Grady replied that we were making as rapidly as possible arrangements to proceed with negotiations with several countries immediately and that if the Spanish reply was favorable we would immediately appoint a Special Committee to begin preparations for negotiations with Spain. He added that we have been somewhat criticized by newspapers favoring the trade agreement program for our delay in getting negotiations under way and stated that he saw no reason to anticipate any delay in our negotiations with Spain provided the Spanish reply is satisfactory.

JOHN HICKERSON

611.5231/822

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

[WASHINGTON,] September 6, 1934.

The Spanish Ambassador called this afternoon. He reminded me that on August 17, he had brought in an aide-mémoire, dated August 15, giving certain guarantees with respect to quotas until November 30 next; in particular, an assurance that no quotas would be established which would affect the United States. Mr. Hickerson had told him that our original proposal respecting quotas had also called for an assurance that the United States would be given its fair share of the quotas already adopted or other quotas which might be adopted even if the quota did not affect us primarily. The Ambassador was now in receipt of a reply from Madrid and was bringing down the desired assurances in the form of an aide-mémoire (see copy and translation attached 20). He said that as Spain had now given the assurances that we desired, he hoped we would confirm it in a note or memorandum giving similar or reciprocal guarantees to Spain.

Inasmuch as we had no quotas in this country, such assurances would be simple.

20 Infra.
He then made two further requests,—the first was that this exchange of guarantees be kept confidential. The reason for this request was that if it became known that Spain was going to delay the setting up of a number of important quotas until the end of November, it might adversely affect her bargaining position with other countries.

The second request the Ambassador made was that we give him as soon as possible and even before the first formal meeting of the negotiators our list of desiderata. The reason for this lay in the fact that he would have to refer this at once to Madrid. If we effected a simultaneous exchange of lists, we could begin to study our proposed action right away while the Spaniards would be delayed in commencing their studies for at least a fortnight. He asked about the hearings for interested American industries and I explained as best I could the working out of that system. I agreed to let the Ambassador know as soon as Mr. Sayre, Mr. Grady and others had studied over the Spanish note. If their studies bore out the satisfactory nature of the assurances, we would at once set up our Spanish country committee and proceed with all reasonable haste possible.

Pierrepont Moffat

611.5231/623

The Spanish Embassy to the Department of State

[Translation]

MEMORANDUM

[No.] 118/22

In reply to the request for information by the Department of State during the interview held between the Ambassador and Mr. John Hickerson on the 17th day of August, last, regarding the quotas now in force in Spain, this Embassy has the satisfaction of informing the Department of State that, aside from the good will of the Spanish Government, to which reference is made in the memorandum of this Spanish Embassy of the date of the 15th of August, last, assurance can be given, in relation to the said established quotas, that the importation of goods originating in the United States does not, as a whole, suffer substantial modifications and that in any case, and up to the 30th of November of the current year, the total volume of North American exportation to Spain would continue to keep its present characteristics, securities and the guarantees which, with the same character and to the extent the Government of the Republic hopes to obtain from the Government of the United States, according to the proposal that Mr. Francis Sayre saw fit to make on the 17th of July, last.

WASHINGTON, September 6, 1934.
Reference is made to the memorandum of September 6, 1934, from the Ambassador of Spain, in regard to the reciprocal assurances to be given by the Governments of Spain and of the United States with respect to the treatment of the commerce of the other prior to the negotiation of a reciprocal trade agreement.

The memorandum under reference is presented by the Ambassador of Spain in consequence of his conversation with Mr. Grady and Mr. Hickerson of the Department of State on August 17, 1934. In the course of this conversation it was pointed out to the Ambassador of Spain that the Government of the United States, while deeply appreciating the understanding of the Spanish Government, set forth in the Ambassador’s memorandum of September 6, that the Spanish Government will not establish a quota on any product in which the United States is especially interested, desired to be assured of a fair share of any quota which has been or which may be established on any product, even though such product is not of primary importance to the United States. The basis for determining such share was set forth in the second numbered paragraph of the memorandum handed to the Ambassador of Spain on July 17, 1934.21

The Ambassador’s memorandum of September 6, 1934, now gives the assurances desired by the United States. On the basis of this memorandum, therefore, the Government of the United States on its part reciprocally assures the Government of Spain that it will allot to Spain a fair share of any quota which it may establish. The reciprocal assurances thus given are to be effective until November 30, 1934.

WASHINGTON, [undated].

611.5231/823a : Telegram

The Secretary of State to the Ambassador in Spain (Bowers)

WASHINGTON, September 13, 1934—6 p. m.

50. We have today completed an exchange of notes with the Spanish Government giving reciprocal assurances regarding a fair share of quotas as outlined to you in our 43, Aug. 21, 5 p. m.21

We are accordingly prepared to give public notice in the press appearing Monday evening, September 17, of intention to negotiate a

21 Not printed.
foreign trade agreement with the Government of Spain. Announcement will be made at the same time for the benefit of American interests concerned, that the Committee for Reciprocity Information has prescribed that all information and views in writing and all applications for supplemental oral presentation of views shall be submitted to the Chairman not later than November 5; oral presentation of views by persons whose applications therefore have been approved will be heard November 12.

Please inform Spanish Government in case it desires to make simultaneous announcement and report, if possible, by Saturday whether this course is agreeable to the Spanish Government.

Hull

611.5231/825 : Telegram

The Ambassador in Spain (Bowers) to the Secretary of State

MADRID, September 15, 1934—noon.
[Received September 15—8:35 a.m.]

60. Your No. 50, September 13, 6 p.m. Spanish Government agreeable and will make announcement to press here Monday evening.

Bowers

611.5231/847

The Chief of the Division of Western European Affairs (Moffat) to the Assistant Secretary of State (Sayre)

[WASHINGTON] October 10, 1934.

Mr. Sayre: The Spanish Counselor called on me this morning on a number of miscellaneous matters and again reiterated the request of the Spanish Embassy that we give them some advance notice of certain of the products on which we would ask concessions from Spain. He said that he did not ask for either a complete list or for the details of the concessions which we would ask for in those products, but that it would facilitate and speed the studies now being made in Madrid if they could be directed toward certain specific products. I told him that, of course, our country committee was hard at work and that there was a distinct reluctance to communicate our desiderata piecemeal. None the less, I would once again put it up to Mr. Sayre.

Pierrepont Moffat

*Department of State, Press Releases, September 22, 1934, p. 205.