FRANCE

NEGOTIATIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND FRANCE[1]

611.5131/1052a : Telegram

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

WASHINGTON, March 30, 1935—6 p.m.

113. The French Ambassador[2] came in yesterday afternoon to say that he had been instructed to notify us that the French Government is now ready and desirous of entering into negotiations for a trade agreement. He said that his Government would be prepared to grant minimum tariff treatment to all American products except about 62 commodities; to suppress the turnover tax on all American products, and to discuss the question of quotas. His Government would ask for most-favored-nation treatment from the United States, but since it is unable to grant complete most-favored-nation treatment to American products would be prepared to accept exceptions made by the United States; for a reduction in our tariff rates on laces, champagne, cigarette papers and other commodities previously mentioned, presumably Roquefort cheese, canned mushrooms, hand-sewn gloves, perfumes and briar pipes, which were included in the proposals made by France in November, 1934, and for some kind of an agreement to safeguard against the effects of depreciated currencies. He stated that the granting of minimum tariff on American rice would be subject to the suppression of the excise tax on Indo-Chinese anthracite coal, and also that the French Government would like to enter into a discussion concerning the appellation of wines.[3] In the interest of economy endeavor to obtain from the Foreign Office a list of the commodities which the French propose to except from the minimum treatment provision.

On April 1 the President will proclaim the Belgian trade agreement.[4] At the same time he will if he approves the procedure now suggested issue a letter of instruction to the Secretary of the Treasury listing the countries to which the benefits arising from the Belgian agreement will be extended. Had it not been for the receipt of the

[1] Continued from *Foreign Relations*, 1934, vol. II, pp. 175–190.
[2] André de Laboulaye.
[3] See *Foreign Relations*, 1934, vol. II, pp. 196 ff.
[4] For correspondence concerning this agreement, see pp. 102 ff.

proposals now before us extension of the Belgian rates would not have been made to France. As it now stands France is included amongst those to which the benefits will be extended so long as the President's direction in respect thereof is not modified.

The French Ambassador is coming in again on Monday and will be told orally and by *aide-mémoire* that his Government's proposals are receiving the earnest attention and consideration of this Government; that it is hoped that these proposals point the way to a satisfactory basis for the negotiation of a trade agreement; that before agreeing to undertake definite negotiations this Government feels that it would be desirable to reach a further clarification of the French Government's suggestion and to this end it is suggested that informal preliminary conversations be entered into forthwith. It will be stated that in order that these discussions may have their inception in the greatest spirit of mutual cooperation, the Government of the United States is temporarily extending to France the Belgian concessions, and that this extension will continue for a reasonable period of time pending the outcome of the preliminary discussions. It is expected that these preliminary discussions will take place next week.

Please let me have your views and recommendations with regard to this matter.

HULL

611.5131/1057

The Department of State to the French Embassy

AIDE-MÉMOIRE

The Government of the United States is happy to learn of the active interest of the French Government in going forward immediately with negotiations, the purpose of which will be to reach a satisfactory trade agreement between the two Governments.

The tentative proposals with regard to the scope and nature of the suggested negotiations, which the French Ambassador was good enough to lay before this Government, are now receiving the earnest attention and consideration of the American Government. It is earnestly hoped that these proposals point the way to a satisfactory basis for the negotiation of a trade agreement; but before agreeing to undertake definite negotiations the Government of the United States feels that it would be desirable to reach a further clarification of the French Government's suggestion, and to this end it is suggested that informal preliminary conversations be entered into forthwith. In order that these discussions may have their inception in the greatest spirit of mutual cooperation, the Government of the United States is

temporarily extending to articles the growth, produce or manufacture of France, the duties to be proclaimed by the President in connection with the trade agreement signed on February 27, 1935, with the Belgo-Luxemburg Economic Union. This extension will be continued for a reasonable period of time, pending the outcome of the above suggested preliminary discussions.

WASHINGTON, April 1, 1935.

611.5131/1053 : Telegram

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

PARIS, April 1, 1935—noon.
[Received April 1—10 : 45 a.m.]

272. Department's 113, March 30, 6 p.m. We welcome the French gesture for immediate action on commercial matters and consider it a result of the policy of letting them come to us. Therefore it would seem that before granting Belgian treatment as a preliminary to discussions it would be well to see that at least some one of the French concessions was put into effect. This might very properly be the removal of discriminatory rates on the import turn over tax. There is, however, no reason why some announcement should not be made now if it is made extremely clear that the extension to France of these concessions is temporary and dependent upon reaching a satisfactory accord in a reasonably short time.

We have just been turned down on the matter of the nitrate licenses [5] and while the Senate has passed the double taxation treaty [6] for ratification the actual final step, namely, the signature of the President has not taken place and could still be thrown into the balance.

It would likewise seem that advantage might be taken of these negotiations to urge the abandonment by the French of the quota system which is after all the principal hindrance to commerce due to the uncertainties and unexpected limitations on trade which it imposes. There is in France a certain amount of agitation for this abandonment, most naturally the banking and exporting houses, and the injection of this idea while unlikely of realization in any scheme which would grant at the same time minimum tariffs might strengthen this movement.

The Embassy is making every effort to activate disclosure of items on list.

STRAUS

---

[5] See pp. 245 ff.
[6] See pp. 247 ff.

611.5131/1062a : Telegram

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

WASHINGTON, April 4, 1935—9 p.m.

120. Department's 113, March 30, 6 p.m. Informal discussions have been going on the last few days between the French Commercial Attaché [7] and officers in the Department. They have been giving consideration to the French proposals for a trade agreement. While no decision has been reached with regard to the acceptability of the French proposals we have informed Garreau-Dombasle that we are prepared to go forward with trade agreement negotiations on a broad scale; that we would prefer not to undertake an agreement as limited as that suggested in the French proposal; that there are numerous items of interest to France on which duty reductions seem possible; that we would wish to enter upon the negotiations in the greatest spirit of liberality, and that we would expect the French Government to enter into the negotiations on the same basis, and that duty reductions, quotas and all other items would be subject to negotiation. It was proposed that if agreeable to the French Government, public announcement of intention to negotiate would be made in the near future, and negotiations would be treated in the same manner as we have treated negotiations with other countries, namely, to give public notice and announce a date for public hearings and for the presentation of briefs. This would involve approximately 7 to 8 weeks, after which time we could perhaps exchange desiderata with France. We would then be prepared to negotiate and it would be hoped that a satisfactory basis existed upon which to rest a trade agreement between the two governments. Garreau-Dombasle seemed to understand the proposal and said that he would wire his Government immediately and would hope to have a reply by Monday morning.

HULL

611.5131/1065

Memorandum by the Secretary of State

[WASHINGTON,] April 11, 1935.

The French Ambassador called to say goodbye before leaving for a six weeks' visit to Paris. He made reference to our trade agreement conversations and again assured me that he would exert his best efforts with his government to secure a substantial trade agreement with this country; he added that it would be difficult in the present political situation to secure an extensive trade arrangement, but that he hoped it would be sufficiently substantial to be received and ap-

[7] Maurice Garreau-Dombasle.

praised to a satisfactory extent by other countries as well as his own.

I expressed much satisfaction at the fine cooperation the Ambassador had been giving in support of the development of liberal commercial policy, together with the hope that his efforts in Paris might be crowned with success. I also very earnestly remarked that his government and mine had an epochal opportunity for service, for the reason that if the present program for the restoration of international trade which my government was carrying forward should break down and fail, the consequences would be unthinkable, because nations then would drift further in the direction of isolation in every economic line with all of the hurtful consequences that would inevitably result. I emphasized the point that the real and single major objective of our present economic program was not the narrow and temporary trade advantages which the country might acquire by giving its whole attention to driving trade bargains or opportunities bilaterally with first one country and then another, but it was the broader proposal which, by a number of examples of trade agreements, might induce other countries to proceed simultaneously with the United States in lowering trade barriers to a reasonable extent so that the immense volume of normal international trade might be restored, with the result that mine and other important countries like France would have many times the volume of international trade that they had now under bilateral methods or could ever hope to have under such narrow and limited methods of trading.

The Ambassador, of course, was in hearty personal accord with my views and again assured me that he would exert every effort with his government to promote and bring about at least a substantial trade agreement between our two countries. He expressed himself as hopeful that this could be done, although he cautioned me repeatedly that we should not expect an arrangement that would be sweeping or broad in its extent as a first step.

C[ORDELL] H[ULL]

611.5131/1066 : Telegram

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

PARIS, April 12, 1935—1 p.m.
[Received 2:45 p.m.]

328. Mr. Williamson and Mr. Reagan [8] of the Embassy called yesterday morning at the Ministry for Foreign Affairs to express my keen apprehension concerning certain recent developments coming as they do at the time of preliminary commercial conversations in

[8] Harold L. Williamson, Second Secretary of Embassy, and Daniel Reagan, Assistant Commercial Attaché.

Washington. The interested Ministers have before them plan for increasing duties to practically prohibitive levels on a number of items including canned asparagus, dried prunes and grapefruit and they contemplate extending the principle begun this quarter, of reducing quotas to the basis of amounts effectively utilized.

It was pointed out that if the above developments are symptomatic it might be seriously questioned whether the French Government is really in the proper frame of mind to negotiate to this end with the United States. The Foreign Office official took note of the threatened tariff increases complained of and said that he would do his best to block them. I am glad to report that this morning he telephoned to state that Monsieur Laval[9] would refuse to sign the increases, with the exception of certain citrus fruits where augmentation is aimed against Spain and is of lesser concern to the United States.

The conversation then turned to how far the French Government is willing to proceed in widening the scope of treaty negotiations. While in principle the French express a disposition to negotiate along general lines the Embassy representatives were somewhat disappointed when actual details were mentioned by the apparent narrow limits of projected French concessions which as they pointed out are not at all within the spirit with which France negotiated with Germany and other countries. The Foreign Office official stated that despite the best good will of his Ministry it is difficult to obtain from other self-interested sources and Ministries consent to much more liberal treatment. Confidentially he asserted that if added concessions instead of emanating from him were to come in the form of demands from Washington it would strengthen his hand. The Department may therefore wish to consider whether it would be advisable to send for French Ambassador and to inquire (1) why it is that the list of exceptions to minimum tariff treatment should so largely comprise chemicals and allied items with the apparent intention of favoring German trade at the expense of American trade and to inform him (2) that the American Government would desire upon at least a few items preferential tariff rates below the existing minimum rates (on, for example, such items as asparagus where even the minimum tariff is exorbitant and where the United States is principal furnisher and French production is unimportant); (3) that the United States should be protected against future arbitrary increases in the tariff which vitiate any treaty entered into, this protection to be accomplished through a list of consolidated tariff rates on items of special interest to the United States; (4) that the list of exceptions to minimum tariff treatment should be slightly scaled down; and (5) that adequate quota protection must be accorded, perhaps including as-

[9] Pierre Laval, French Minister for Foreign Affairs.

surances relative to the present policy of quota reductions, an increase of certain quantitative positions and the granting of credit for indirect shipments. Such representations might serve to give shape to the broadening of negotiations.

The Foreign Office representative at this point confidentially stated that within the next few weeks there might be a radical change in the whole quota policy although this matter must first be considered at the next inter-ministerial meeting. The proposed change would probably mean a scrapping of the most-favored-nation principle as regards quotas and would be aimed largely against those countries applying exchange restrictions against French commerce. The result would be that even though some quotas might still be reduced France would then be in a position to withdraw from discriminating countries substantial portions of their quota allotments and to divide the amounts thereof among countries according special concessions to France. It was intimated that during the commercial negotiations with the United States, France might thus be in a position to accord us quota benefits impossible under the present system. However, it should be borne in mind that the new policy would necessarily abrogate our quota agreement [10] and that some new form of quota accord would therefore have to be evolved within the framework of the commercial treaty.

STRAUS

611.5131/1066 : Telegram

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

WASHINGTON, April 16, 1935—1 p.m.

136. Department's 120 April 4, 9 p.m., and your 328, April 12, 1 p.m. Garreau-Dombasle came in on April 8 to say that he had received instructions from his Government to the effect that it was anxious to go forward with trade agreement discussions on a broader scale. It developed during the conversation, however, that Garreau-Dombasle could not give any distinct indication of the manner in which the French would broaden out the scope. He was non-committal in respect of duty reductions below existing minimum rates, and it was not at all clear what treatment might be expected in respect of quota liberalization on either agricultural or industrial items. He said that he would like to have a list of the considerations which this Government would like to put forward as items for discussion. It was pointed out to him that we would wish to reserve for the negotiations the list of exceptions to minimum treatment, and particular

[10] See telegram No. 342, May 31, 1932, 7 p. m., *Foreign Relations*, 1932, vol. II, p. 232.

mention was made of preserved fish. It was again reiterated that we would expect some liberalization of quotas, and that there should be some items on which France should be in a position to make duty reductions. In fact all the items which you suggested might be raised with the French Ambassador have been covered from time to time during the course of the informal discussions between Garreau-Dombasle and officers of the Department. Garreau-Dombasle wanted an informal written list which the Ambassador could take back to France with him. It was felt that it would be better not to put these ideas in writing, but the Ambassador was told orally the considerations which we have in mind.

The last offer put before us by Laboulaye, though by no means entirely satisfactory, left the Department with a substantial hope that an agreement between the two countries could be reached. We suggested to Laboulaye that he resume his efforts to secure satisfaction on some of the points I have discussed above; and that correspondingly, it might be possible for us, after examination of the field, to make more extended concessions than had been discussed. Laboulaye appeared to be willing to undertake this task and is expected to do so while in Paris. I asked him to keep in touch with you.

It is important that the French Government realize that any agreement reached between the two countries must convince American opinion, which as you know is critical of the treatment extended to American trade by France, that it represents a just *quid pro quo* arrangement. On the other hand any feasible agreement would appear to be necessarily more limited than that outlined in your 328.[11]

In these circumstances, the intimations that you received from the French Government, as stated in your 328, and similar intimations given by Garreau-Dombasle to the Department, that the French Government may in the near future shift its basis of quota allocation, which we assume might affect our present *modus vivendi* on quotas, are disturbing. Such an action might gravely complicate the discussions, and the negotiations, which we hope could be announced after Laboulaye has talked the matter over with his Government.

HULL

611.5131/1074 : Telegram

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

WASHINGTON, April 26, 1935—6 p.m.

154. Department's 136, April 16, 1 p.m. Garreau-Dombasle telephoned from New York this morning to say that he had received an

---

[11] *Supra.*

important telegram from his Government, a part of which he translated as follows:

"In the course of the negotiations the French Government will examine with the desire to reach a satisfactory solution the requests formulated by the American Government, and will receive them favorably to the whole extent which the actual situation of French economy will permit."

I would appreciate your ascertaining discreetly from the Foreign Office whether this communication from Garreau-Dombasle has been authorized and represents the views of the French Government. I feel that the above quotation probably meets our request for a broadening of the scope of the negotiations, and we are considering giving public notice of intention to negotiate on Tuesday next. Before doing so I should appreciate having benefit of your own reactions. I presume that Laboulaye has kept in touch with you.

HULL

611.5131/1076 : Telegram

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

PARIS, April 27, 1935—2 p.m.
[Received April 27—11:25 a. m.]

368. Reference Department's telegram No. 154, April 26, 6 p.m. Foreign Office this morning read to Embassy representative pertinent portion of instructions sent Embassy at Washington concerning commercial treaty negotiations which corresponds verbatim with statement delivered by Garreau-Dombasle. Am informed that Minister of Commerce gave his prior approval to instructions and is inclined to cooperate with Foreign Office in meeting so far as possible American desiderata.

Foreign Office optimistic and feels that if a substantial reduction in tariff on champagne is granted it will greatly assist in securing advantages from French Ministry of Agriculture. French Government very anxious that public notice of intention to negotiate be made prior to coming into force of United States-Belgian treaty.

Laboulaye lunching alone with me and should further observations prove advisable as a result of meeting will again cable the Department.

STRAUS

611.5131/1076 : Telegram

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

WASHINGTON, April 29, 1935—2 p.m.

159. Your 368, April 27, 2 p.m. Public notice of intention to negotiate a trade agreement with France will be issued tomorrow

afternoon.[12] June 24 will be fixed as the date for the public hearings before the Committee for Reciprocity Information.

Under present instructions from the President to the Secretary of the Treasury, France is to enjoy the benefits of the Belgian trade agreement so long as the present directions from the President are not modified. New instructions will now be issued to the Secretary of the Treasury, placing France in the same category with certain other countries with which we are negotiating trade agreements, and the benefits of the Belgian and other agreements will be extended to France for a period of 6 months as from April 1. We of course hope that a satisfactory agreement will have been reached before the expiration of that period.

HULL

611.5131/1087

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

No. 1831 PARIS, April 29, 1935.
[Received May 8.]

SIR: I have the honor to report that last Saturday, April 27th, Ambassador de Laboulaye lunched with me and we discussed the question of commercial treaty negotiations. I had previously, in reply to the Department's telegram, No. 154 of April 26th, 1 [6] p.m., sent my telegram No. 368 of April 27th, 2 p.m.

M. de Laboulaye stated to me that since his arrival he had had several conferences with both M. Flandin and M. Laval[13] regarding commercial treaty negotiations. He confirmed, in substance, Garreau-Dombasle's telephonic communication to the Department as contained in the Department's telegram of April 26th, 1 [6] p.m. The French Government is very anxious that negotiations should proceed as rapidly as possible, with open minds on both sides, according to the Ambassador who stressed the French Government's desire that not too narrow a viewpoint, or, as he reported the Secretary to have said to him, not too horse-trading an attitude should be taken by either side. He reiterated what French officials have on various occasions stated to me directly, and what Consul Carter of Calais has repeatedly emphasized to me, that the Calais situation is one which is causing considerable concern and that the French Government would, above all things, welcome a reduction in lace duties on the part of the United States. The request has, I believe, been made that duty of 90% be reduced to 45%. The Calais situation, in so far as lack of markets is concerned, is serious. Assistance in its solution is one for which I believe the French Government would be inclined to give

[12] See Department of State, *Press Releases*, May 4, 1935, p. 301.
[13] Pierre Etienne Flandin, French Premier, and Pierre Laval, Foreign Minister.

major concessions. The French Government also is hopeful that the United States will see fit to reduce the duties on French wines and champagnes. These appear to be France's main desires.

Two years ago, prior to my leaving to take up my post, I was called upon by a representative of the lace manufacturers of the United States, who stated to me that the 90% ad valorem duty was not sufficient protection for the American lace industry in the United States in competition with Calais. If the facts as then stated to me are correct, cutting in half of the import duty would doubtless make impossible the sale of American machine-made laces in competition with Calais but, on inquiry of the representative of the Lace Manufacturers' Association, in reply to my questions, he told me, to the best of my recollection, that the production in the United States of laces competitive with Calais ran to a figure of approximately $25,000,000 per annum and gave employment to approximately two thousand people. These figures, if correct, are not of sufficient magnitude to cause us any great worry at home. As stated above, the French Government seems to lay great stress on markets in the United States for Calais laces, of which the United States was in the past far and away the largest purchaser. If the United States were ready, under a policy of harmonious commercial treaty negotiations, to sacrifice if necessary the lace industry in the United States, it appears to me that the French Government would regard such procedure as a friendly gesture and might conceivably give in return more favorable treatment to American products than through any other sacrifice on our part. Ambassador de Laboulaye gave me the impression that the policy of sacrificing an industry for the sake of closer international comity and cooperation had been enunciated to him at a conference in the State Department, and intimated that the Administration held the view that perhaps the production of certain commodities and making possible their sale in the United States could well be left to those nations best equipped to produce them.

Ambassador de Laboulaye, who has long been an advocate of settlement of the French debts to the United States and who has on various occasions spoken to me of his desire to do his utmost to persuade the French Government to arrive at some settlement, stated that he believed that three successive steps were now possible: (1) the negotiation of the commercial treaty; (2) stabilization of currencies; and (3) settlement of debts. I suggested to him in turn that the negotiation of a commercial treaty and settlement of debts might well be taken up concurrently and that a plan that I had unofficially suggested first to M. Barthou [14] and since to both MM. Flandin and Laval some

[14] Louis Barthou, French Minister for Foreign Affairs, 1934.

months ago (see my despatches No. 1183 of September 4, 1934,[15] and No. 1466 of December 21, 1934 [16]) might, though I said I had no authority to make any such suggestion, form the basis of a tender on the part of the French Government to the State Department. Ambassador de Laboulaye stressed the difficulty of arriving at a satisfactory commercial treaty unless stabilization of currencies had been previously achieved. I told him that I had no knowledge of the intentions of my Government as to stabilization, nor had I received any information or instructions, and that I was in no position to discuss that question. I received from Ambassador de Laboulaye the impression that the French Government might in the near future approach the Government of the United States with a suggestion that an effort at stabilization of currencies be made.

The Ambassador, when I suggested to him that the present policy and procedure of his Government in the matter of quotas is irksome and constantly productive of protests on the part of this Embassy, stated that he believed there would shortly be a declaration on the part of the French Government of a quota policy which would ameliorate conditions and would give satisfaction to us.

I have not telegraphed, as I stated I might in the last sentence of my No. 368 of April 27th, 2 p.m., because of the fact that in the negotiation of a commercial treaty I realize that considerable time will have to elapse, that hearings will have to be held, and that this despatch, which contains nothing of urgent importance to the Department, will suffice.

Respectfully yours, JESSE ISIDOR STRAUS

611.5131/1181

Memorandum by the Second Secretary of Embassy in France (Williamson)[17]

PARIS, June 28, 1935.

At the request of Mr. Charles E. Stuart, Executive Vice-President of the Export Import Bank of Washington, I this morning took him to call upon M. de la Baume, Chief of the Commercial Section at the Ministry for Foreign Affairs, and M. Bousquet, also of that Section, who is in charge of American affairs. After outlining the object of his trip abroad, Mr. Stuart asked a number of questions which brought forth the following observations:

---

[15] Not printed.
[16] *Foreign Relations*, 1934, vol. I, p. 584.
[17] Transmitted to the Department by the Ambassador in France in his despatch No. 1985, June 29; received July 9.

The French Government does not adhere to the policy of unconditional most-favored-nation treatment. It however does extend conditional most-favored-nation treatment predicated upon reciprocity. Succinctly, it is willing to accord through the medium of bilateral commercial treaties minimum tariff on all items save those embraced in a list of exceptions annexed to the treaty. So far as possible these exceptions are restricted to items in which the other contracting country has no vital interest. There is no present prospect of abandoning the policy described above in favor of a reversion to the unconditional most-favored-nation system.

The French Government attaches considerable importance to commercial insurance and foresees the development of that aid to commerce. As practiced commercial insurance is not applicable to private contracts but is extended in the case of the sale of French goods to foreign states and municipalities, particularly in countries such as those of Central and Southeastern Europe. Commercial insurance however has its greatest development as concerns the U. S. S. R. where of course purchases abroad are a Government monopoly. At present French banks underwriting commercial insurance for sales to the Soviet are covered up to 60% by French Government guarantee. It is possible that this guarantee may shortly be given a wider spread so as to cover 75% to 80% of the amount involved. It is hoped that the policy may tend to restore confidence on the part of exporters.

Stabilization of currencies is far the most important factor in the restoration of world trade and in the breaking down of trade barriers. The French Government earnestly hopes that stabilization may take place as soon as possible since until that time the element of uncertainty is such as to hamper bilateral commercial agreements. As matters now stand, agreements entered into today may be nullified in their benefits tomorrow through fluctuations in exchange and the consequent alteration of cost price levels. Once stabilization takes place it may be possible to proceed upon a program of reducing trade barriers, but until then each country must protect its production against the results of monetary instability. France itself is firmly attached to the maintenance of the franc upon the present ratio to other currencies and will endeavor so to maintain it. While no predictions for the future may be made it is nevertheless conceivable that at some future date, were a general international stabilization agreement arrived at, France might find it convenient slightly to devaluate the franc in accord with the general arrangement.

The French representatives welcome Mr. Stuart's suggestions relative to the encouragement of the tourist traffic to France and felt that as he stated, much might be done were the American public acquainted with prices of hotels, railroads, etc., in France, and edu-

cated as to the means of economical travel and sojourn in this country. Hotel prices and many other costs here have been considerably reduced and it is believed that not only is this circumstance not known to the general public abroad but also that the public is not acquainted with the method of availing itself of the various facilities for traveling in France which may now be had at a reasonable figure.

While there has been considerable comment in the press concerning the possibility of a credit loan to the Soviet, there have been no tangible developments whatever in that direction. The possibility is still in mind and some formula may yet be found which would make possible the granting of credits to the Soviet but at the moment the idea remains completely nebulous.

For some time the French Government has been studying the advisability of a modification of the quota system. Developments now point to a much more radical modification than that heretofore contemplated. No precise details can yet be given concerning the manner in which the change will operate since it is not yet decided upon. However, the Council of Ministers is meeting in the next few days for a preliminary discussion of the matter to be followed by further meetings devoted to the same subject. It would appear probable that the quota system will be abandoned (not in one step but progressively), in order that France may regain its economic liberty. Possibly—although this was not stated in so many words—quotas may be maintained against those countries which refuse to meet France half way in scrapping the quota systems. It would appear that the more normal procedure of tariff protection will be substituted for the temporary and extraordinary system of quota protection. In this way France hopes to go a long step forward in leading the nations back to traditional economic principles which will ultimately make possible the breaking down of commercial restrictions. Until the exact procedure is determined upon, it is of course too early to consider whether the American approach to the Franco-American commercial treaty negotiations should be altered so as to lay less stress upon the quota advantages and more emphasis upon tariff advantages. It is to be hoped, however, that the enunciation of the French policy will come in ample time to enable the American Government, if necessary, to alter the basis on which the commercial conversations are undertaken so as to take into consideration the new customs set up in France. In any event, any step taken by France which minimizes the importance of quotas would facilitate negotiations, although in the Embassy's opinion it is certainly to be expected that if the French Government even partially abandons quota protection, radical tariff augmentations in certain fields will prove a corollary.

H[AROLD] L. W[ILLIAMSON]

611.5131/1202

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

[WASHINGTON,] July 6, 1935.

The FrenchAmbassador came in today and said that he was very much interested in having the preparations for the negotiation of the Franco-American trade agreement expedited. He said that he had returned to this country in June and had planned to stay here until the second half of August, hoping that the preparations would be far enough along before he went back to France to arrive at a basis of negotiation. He said he hoped very much that the possibility of summer vacations in the various branches of our Government would not delay the preparations. He said if there were a possibility of delay, the French Commercial Attaché, M. Garreau-Dombasle, might wish also to take leave, which would cause a definite delay in progress. He further intimated that the French Government might be having some slight difficulty in formulating definite decisions with regard to their concessions by reason of the present negotiations the French are carrying on with the German Government, but that the German negotiations would not long delay any decisions.

I told Mr. de Laboulaye that I was certain that our preparations would not be delayed by any vacations which might be taken during the summer, as the whole machinery for the trade agreements was moving forward at full capacity and we had every intention of completing the negotiations now under way and even undertaking new negotiations during the summer period.

Mr. de Laboulaye asked me to lay before the Secretary his concern in maintaining the greatest expedition possible in the French negotiations, as he desired to take advantage of the present mood of the French Government in order to have a successful termination of the trade agreement negotiations.

JAMES CLEMENT DUNN

611.5131/1205

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

No. 2023

PARIS, July 19, 1935.
[Received July 26.]

SIR: Referring to the Embassy's despatch No. 2005 of July 9, 1935,[18] and previous correspondence concerning the Franco-American commercial treaty negotiations, I have the honor to report that a few days

[18] Not printed.

ago M. Bousquet, of the Commercial Section at the Ministry for Foreign Affairs, informed a member of the Embassy staff that the Government of the United States had proposed the inclusion of 18 general Articles in the treaty. He said that the French authorities are prepared in principle to accept, subject to certain modifications, 14 of these Articles. The French counterdraft has apparently been forwarded to the Embassy at Washington for communication to the Department. However, as a matter of convenience in the event that there is some delay in the transmission of the counter proposal, I now enclose a copy of the draft[19] which was lent the Embassy by M. Bousquet. As the Department has doubtless already learned, the French Government is indisposed to accept several of the provisions proposed by the United States, notably that contained in Article 10 with regard to monopolies.

The Embassy representative was likewise shown a copy of the Ministry for Foreign Affairs' telegram to its Embassy at Washington, signifying its willingness to accord to the United States supplementary quotas on twenty items selected from the list of items for which the American Government requested special quota facilities. M. Bousquet preferred that the Embassy should not copy the list so that, although the majority of the twenty items for which supplementary quotas may be excepted are precisely recalled by the Embassy, it would be appreciated if the Department would furnish this Chancery with the complete list in order that the Embassy may be in a position more accurately to follow the trend of negotiations.

The Department will probably be struck, as was the Embassy, with the smallness of the list and with the circumstance that aside from fresh fruit and one or two other articles, the preliminary list omits the more important components of American trade. M. Bousquet is well aware of the meagerness of the list which he explained by the insistence from Washington upon having an immediate response to the request for special quota positions. He added that had the Franco-German treaty negotiations not been postponed, it would have been possible to amplify the list of supplementary quotas. As matters now stand, the results of the German negotiations will not be known until approximately August 6. Thereafter the French Government will be in a position to know exactly what quota amounts are available for according to the United States in the form of supplementary quotas. Regardless of the results of the Franco-German conversations, the French will then be able to cover the list of American quota desiderata in a much more extensive manner. The Foreign Office official consequently hopes that the present reply on quotas will be viewed in its proper light and not interpreted as final or as a move to whittle down

[19] Not printed.

concessions. The thought was expressed that if we will be patient for the moment, France will be enabled to grant much more favorable treatment than if with the present uncertainty as to available quotas it is forced at once to make a definite reply. It was asserted that a supplementary quota for automobiles cannot be granted but that while the item is not included in the present list we can certainly count upon securing a supplementary quota for automobile chassis.

M. Bousquet had gained the impression that if negotiations cannot be initiated during this month the Department may feel itself called upon to place one or two other European countries ahead of France upon the agenda and to defer negotiations with the French Government until September. Although he hoped that such would not be the case, he apparently felt that from some angles a less hurried consideration might assist in reaching a more far-reaching and useful accord. It was his personal thought that in the event of delay it might be valuable to both Governments if M. Garreau-Dombasle were to come to France during the interim for consultation.

Finally M. Bousquet confirmed the fact that the form which the contemplated radical modification to the French quota system will take has not yet been decided upon and that it is now very unlikely that any attempt will be made by the Government to initiate the new policy before about November. Obviously, therefore, the treaty negotiations will have to be completed without precise knowledge of the nature of the future French quota policy. It may nevertheless be recalled that the French authorities have already stated that so far as the United States is concerned the alteration of the quota system will be such as to work no hardship and probably such as to assist commercial relations.

Respectfully yours, THEODORE MARRINER

611.5131/1212

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

No. 2052 PARIS, July 26, 1935.
[Received August 2.]

SIR: Referring to my despatch No. 2023 of July 19, 1935, I have the honor to report that the Franco-German commercial negotiations having at least temporarily broken down the French Government found itself free to proceed to the determination of the supplementary quota allocations which might be granted the United States. In consequence an inter-Ministerial meeting was held on July 23 with a view to deciding upon the precise tariff, quota and other concessions that France can offer. Subsequently, on the evening of July 25, The Ministry for Foreign Affairs instructed the French Embassy at Wash-

ington to press for early conclusion of the Franco-American treaty and furnished the Embassy with a list of the concessions decided upon. This morning the competent officials of the Commercial Section of the Ministry for Foreign Affairs acquainted an Embassy representative with the principal points outlined in the telegraphic instructions addressed to M. de Laboulaye. It was stated that the instructions comprise the maximum offer that France is prepared to make save for the possible modification of certain details.[20] Although the Department by the time of this despatch reaches it will be better acquainted than the Embassy with the precise nature of the French proposals, a summary of the projected concessions made known to the Embassy may be justified in view of the observations made by the Foreign Office official on several points. The salient features of the French concessions are as follows:

While the American percentages for the normal quotas remain fixed throughout the life of the treaty, the supplementary quotas run for a year only but are presumably susceptible of renewal, provided the treaty remains in force longer than the initial year. Supplementary quotas in a stipulated percentage will be accorded the United States upon the following commodities: Ex 45 (frozen salmon), Ex 84 (apples and pears), 178-bis, 178-ter-A, Ex 298, 347-ter, Ex 461 G, B and I, Ex 462 A, 464, 510 A, 512 C, 521, 522, Ex 537, Ex 549, 568-bis, Ex 572-bis E and 634-quater A (*d*).

With regard to Ex 45 (frozen salmon), it would appear that our present normal quota of 24% is confirmed and a supplementary quota of 24% granted to take into account shipments in transit, the total to be accorded the United States therefore being the same as that enjoyed in the present calendar year in virtue of the special agreement on the subject reached between the two Governments. The frozen salmon quota would, in consequence, appear to be as generous as any we might reasonably claim.

The Foreign Office official asserted that it had been impossible up to the present time to reach an agreement for the granting of a supplementary quota for automobile chassis. He however held out hope that if the American Government were to press for such a supplementary quota it might be possible to obtain a supplementary quota for automobile chassis of approximately 1,000 quintals with a further provision that within such limits a 50% reduction from the minimum tariff rate might be accorded the United States. As to tariff concessions, the French are willing to suppress the following items from their list of exceptions to minimum tariff treatment: 76–ter, 110–bis, Ex 112, Ex 175, 603–ter, Ex 47, Ex 49 and 459 A to N. In granting

[20] The French counterdraft (not printed) was transmitted on July 17 to the Department (611.5131/1202½).

the minimum tariff to the United States (on 76–ter) it is observed that henceforth the minimum and general tariff rates would be made one and the same amount so that while in principle the United States would receive minimum tariff treatment, actually no distinction would be made between American products and those of any other country. In according the United States the minimum rate on Ex 47, pilchards, France would fix the minimum tariff at a new and higher rate somewhere between 400 and 480 francs per hundred kilograms gross. It is inferred that if the Department laid sufficient emphasis on the importance of this item it might be possible to secure the adjustment of the new minimum tariff rate at the lower figure of 400 francs. At the same time the French Government is prepared to maintain the present American quota for pilchards, understood to be 50,000 quintals.

The Ministry for Foreign Affairs likewise indicated that it has offered the United States slight reductions from the minimum tariff rates on the following schedules: sewing-machine heads, pens, fountain pens and detached parts thereof, grapefruit and quaker oats. Finally, the French Government is disposed to restore to the United States minimum tariff rates in Indochina, Martinique and Guadeloupe, and to refund to importers who have paid higher rates of duty the difference between payments under the minimum rates and the general tariff rates.

It is observed that the general Articles of the draft treaty make no allusion to the suppression of the *surtaxe d'entrepôt*[21] lying against the United States and other overseas countries. The Foreign Office representative in answer to an inquiry stated that it would be difficult to suppress this charge and that the tax lies more against certain articles of merchandise than it does against specific countries and hence is not considered as discriminatory. He did not say, however, that the French Government would refuse to give some further consideration to the matter in the event that the Department should feel it advisable to ask that an effort be made to adjust this tax in line with the *taxe d'origine* levied on the products of European countries. Evidently the chief obstacle which would be encountered by the French in meeting such a request would emanate from the Ministry of Finance.

Since forwarding the Department the views of the Embassy, Consulate General and Commercial Attaché with regard to desiderata which might possibly be included in the American request, one or two additional items have been brought to our attention by importers here. I now pass them on without recommendation for such study as they may merit. Charles André et Compagnie of Paris request that an intermediate tariff rate instead of the present general tariff rate

[21] Customs surtax.

be secured for the United States under the French tariff item Ex 581 (*armes de commerce*). He states that the general rate impedes the importation of such articles and that once the political situation here renders it possible to remove the restrictions on the importation of arms, France should provide an excellent market for American shotguns, rifles, pistols and revolvers designed, in particular, for sport.

The Maison Henri Perrier of Bordeaux finds itself hampered in its efforts to sell American agricultural machinery by the high tariff rates. It points out especially that the rates applicable to detached parts for machines falling under tariff items Nos. 532, 533 and 535–bis A are so exaggerated as to cause serious inconvenience. Moreover the benefit of the authorized 50% tariff reduction on detached parts is so studiously circumscribed by regulations that it is impossible to avail of it in the instance of the ordinary customer.

Respectfully yours, THEODORE MARRINER

611.5131/1226

Memorandum by the Secretary of State

[WASHINGTON,] August 5, 1935.

The French Ambassador called and appeared considerably agitated about the receipt of cables from his Government to the effect that this Government was definitely slowing down and allowing to drift the trade agreement conversations between the two Governments. He talked as though he was in distress because of optimistic representations he had made with regard to the desire of this Government to work out a mutually satisfactory trade agreement. I stated to him that I would do all within my power to facilitate these conversations and the trade agreement undertaking; that I could not until a week later undertake to be more definite, except to say that the progress here in the State Department seemed to be about normal in such cases; that later during the present week the Committee on Commercial Policy would give a number of important phases earnest consideration, and that I hoped we could within another two or three weeks determine just about what might be a possibility in the way of a trade agreement. I then said that naturally our Government would be concerned to know just how stable a tariff reduction below the French minimum rates would be and just what quantity would be contemplated by the French suggestion of increases of quotas to the United States under the proposed agreement. The Ambassador said they would of course undertake to make clear, and he believed satisfactorily, their attitude with respect to these matters. I again assured him that I would do the best I could to facilitate the conversations, but reminded him that England had only negotiated 17 trade agreements during the past three years, and Germany not much more than

20, and that naturally the full details of such agreements required considerable time and labor. He indicated his appreciation of this view.

C[ORDELL] H[ULL]

611.5131/1273

Memorandum by the Secretary of State

[WASHINGTON,] October 19, 1935.

The French Ambassador called upon my invitation. I laid before him for transmission to his Government in his own way the matter of the threatened order of the French Government imposing additional restrictions or burdens on the importation of American motion picture films.[22] I stated that, without reference to the merits of the threatened action, the raising of tariff rates on or the imposition of similar burdens or impediments to the importation of such films in the very midst of our trade agreement conversations, involving this particular commodity as one of the chief American exports to France, would, if not proving fatal, seriously threaten the further progress of our trade agreement negotiations.

The Ambassador raised the point that there was no discrimination in this proposed action, to which I replied that, since the chief imports of films by the French came from the United States, his contention that there was no discrimination was similar to someone's contention that the recent proclamation of the President, prohibiting American citizens from traveling on Ethiopian steamers and on Italian steamers except at their own risk,[23] was in no sort of sense a discrimination. The Ambassador then agreed, and he assured me that he would send a suitable telegram to his Government today.

I stated to him that we had refused to enter upon negotiations with Switzerland [24] and one or two other countries when we had discovered that they were suddenly raising tariff rates or placing restrictions presumably for trading purposes on the eve of such contemplated negotiations, and I added that it made not the slightest difference whether the French Government was taking this similar step for trading purposes or some entirely different purpose,—the American public would be able to charge that it was for trading purposes and the State Department would be helpless to contradict this; hence the very great importance of these views being laid before the French Government before they took action.

C[ORDELL] H[ULL]

---

[22] See pp. 237 ff.

[23] See vol. I, pp. 594 ff.; for text of proclamation issued October 5, see Department of State, *Press Releases*, October 5, 1935, p. 251.

[24] See pp. 745 ff.

611.5131/1282a : Telegram

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

WASHINGTON, October 25, 1935—4 p.m.

437. Garreau-Dombasle has been strongly stressing the importance of concluding trade agreement negotiations before the expiry on November 15th of the French Government's power to sign an agreement. In view of French regional export interests concerned, do you consider that prospects of serious new difficulties are to be expected if an agreement is not signed by that date?

HULL

611.5131/1283 : Telegram

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

PARIS, October 29, 1935—6 p.m.
[Received October 29—2:35 p.m.]

928. Replying your 437 October 25, 4 p. m. the Embassy does not feel that merely to anticipate the expiration of French Government's special powers on November 15 a trade agreement which is not reasonably satisfactory should be signed before the date. However, if a materially satisfactory accord can be reached much is to be gained by agreement within the time indicated since it may be some 2 months before the French Government can secure from Parliament renewal of its tariff negotiation powers and in the meanwhile the unsatisfactory quota and tariff status as regards American merchandise will continue. Moreover, there is to be considered the uncertainty of the future Cabinet situation as well as the circumstance that in order to make a good showing on his economic policy Laval is apparently very anxious to be able to point to the signature of a treaty with the United States, so that the present should be a propitious moment in which to come to terms.

The Embassy is just informed by Foreign Office that France, (1) renounces its request for tariff advantages for 6-, 7- and 8-point common cotton brocaded lace, (2) maintains its request for 44½% reduction new-fashion lace of 10½ point and finer and (3) asks 35 percent reduction for 9- and 10-point lace. Foreign Office states that renunciation of concession on the common highly competitive lace should make compliance slightly easier and that the present lace request is a *sine qua non* of negotiation. As stated in my telegram No. 916, October 24, 5 p.m.,[25] I am inclined to feel that if we can substantially meet French requests on the three basic items French Government can be induced to go somewhat further than it has in according reciprocal

[25] Not printed.

concessions. There seems to be unconfirmed hope that *inter alia* it might consent to enlarge quota for automobile chassis so as to enable us to take advantage of lowered duties on that commodity.

STRAUS

611.5131/1292a : Telegram

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

WASHINGTON, November 5, 1935—6 p.m.

446. For your information, and such comment as you may wish to offer, the French Trade Agreement counterproposals presented October 18 [26] are substantially the same as those transmitted in July [27] and indicated in your despatch no. 2052 of July 26, 1935.

With respect both to safeguards in the general provisions and removal of discrimination in quota and tariff rate positions, the concessions offered us are considered wholly insufficient. We have been requested to present our minimum demands and at the same time to grant further tariff concessions on items of major importance to France. Accordingly we handed to Garreau-Dombasle on October 28 a revised list [26] of requests with respect to French treatment of items of major importance to us and with respect to minimum safeguards in the general provisions.

We have made clear why we are forced to consider the French proposals of October 18 inadequate to justify our seeking to add further difficult concessions for the products of principal interest to France. Such concessions must necessarily be contingent upon substantial acceptance by the French Government of our proposals of October 28.

In our desire to secure an agreement which would take account of the parliamentary difficulties of the French Government, we are prepared to recede from our established policy of securing definite consolidation of minimum tariff rates and other charges on importation in respect of scheduled concessions to us, while consenting to the consolidation of scheduled concessions by us. We are prepared to modify the usual exchange and currency guarantees. Our revised proposals provide, in case of increases in the French tariff on scheduled items, for 30 days advance notice and consultation as to compensatory modification of the terms of the Agreement, and in the event no agreement is reached, for automatic expiration 30 days after the effective date of such tariff change. A similar provision is proposed

[26] Not printed.
[27] See footnote 20, p. 228.

with respect to the annual quota quantities specified, in case of changes in them after the first year.

Such automatic cancellation is intended to discourage the unfavorable unilateral revision of concessions granted to us when the pending study of French tariff reorganization is put into effect. It is to be feared that any further relaxation of our established policy of safeguarding concessions would seriously endanger negotiations with other countries and the general benefits of the trade agreements program.

The following lists classify as Group A those items of major importance and as Group B items of considerable importance. While no individual item is held to be indispensable, substantial acquiescence in our proposals of October 28 is essential.

1: To be removed from list of exceptions to minimum tariff:

Group A—Preserved Fish, Others; Rice, Whole, etc. and Rough; Borate of Soda; Chromates and Bichromates of Potassium and of Soda.

Group B—Carbons for arc lights, etc.; Pumps.

2: Minimum duties to be reduced:

Group A—Grapefruit; Dried Prunes; Preserved Fruit in Syrup; Preserved Asparagus; Automobile Chassis.

Group B—American Dried Raisins of Smyrna and Corinth type to be dutiable at rate applied to Smyrna and Corinth raisins; Preserved Pineapple without sugar; Spark Plugs and Plug Insulators.

3: Quota Treatment:

Group A—Frozen Salmon; Preserved Fish, Other, except Salmon; Apples and Pears; Common Woods; Nitrate of Soda; Radio Tubes; Silk Stockings; Patent Leather; Radios; Electric Domestic Refrigerators; Typewriters; Refrigerating Apparatus; Passenger Automobiles.

Group B—Preserved Crustaceans; Rolled Oats; Insulating Board; Automatic and non-automatic Electric Control Apparatus; Twist Drills, etc.; Circular Saws, etc.; Rubber Manufactures, others.

4: French quota proposals indicated as acceptable:

Carborundum; Natural Abrasives on Paper; Varnishes and Assimilated Paints, Others; Artificial Teeth; Hides Curried, etc., Goat, Kid, Sheep and Lamb; Agricultural Machinery; Pneumatic Tools; Aluminum Manufactures, Others; Direct Reading Apparatus for Measuring Pressures, etc.

PHILLIPS

611.5131/1296 : Telegram

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

PARIS, November 16, 1935—2 p.m.
[Received November 16—2 p.m.[28]]

966. The Department's approximate minimum request for concessions as outlined in telegraphic instruction No. 446, November 5, 6 p.m. and the French Government's response which was telegraphed to French Embassy on November 14, have been the object of three long discussions with Foreign Office and of careful study by this Embassy and the Consulate General, Commercial and Agricultural Attachés.

With regard to our request for further removals from the list of exceptions to minimum tariffs, it is evident that the progress made is by no means impressive although five of the nine items included by the Department have received at least conditional favorable action. Of remaining four items the French reasons for refusal appear reasonably sound as regards borax and rough rice. Carbons and pumps might well have been granted but are not highly important.

Concerning reductions from the minimum tariff it is much regretted that the request was not granted on some of the six agricultural items particularly pineapple, which is very little competitive save for French colonial production; and dried fruits [*sic*] involves reclassification, a point which may not have been understood by the French. Dried prunes and canned asparagus are very important to our trade and the Embassy has also argued in their behalf but it can well understand the French contention that these commodities are in competition with politically powerful agricultural interests here and furthermore that we have developed an excellent market despite the present tariff rates. The Embassy feels that the large tariff reduction granted on automobile chassis taken in conjunction with the reductions on grapefruit and spark plugs manifests a sincere effort to grant us concessions in fields where such is practicable and is psychologically important.

With regard to new quota concessions the French obviously go a long distance towards compliance with our full request. The refusal on nitrate of soda is readily understandable since French domestic production is now practically sufficient to meet French needs. It is felt that we might reasonably have been given supplementary quotas on radios and tubes but the French explanation is based on their established quota policy. In typewriters we already enjoy a very large share of the market and the French motives for denial seem well grounded. Two or three of the minor commodities might have been favored. On the other hand, the list of articles for which quotas are

[28] Telegram in six sections.

increased or done away with is not only long but contains trade items susceptible of very considerable expansion; notably, frozen salmon, apples and pears and passenger automobiles. The concessions granted on the latter two items are, of course, of outstanding importance and I think satisfactorily approach our desiderata. The advantage for automobiles has been extremely difficult for the French Government to obtain consent to and it merits due weight.

The question now arises whether the Department considers that the French Government has substantially met its requests of October 28. In evaluating this question it would seem that although we may be disappointed that certain meritorious tariff requests were not complied with, the French response must be viewed as a whole and not discarded because tariff satisfaction or any other individual satisfaction was not given. If thus examined it is believed that with the very definite large scale trade expansion possibilities crowded into the quota section and with such particular tariff as that on automobile chassis, we will find the French reply in its totality of commercial potentialities worthy of serious and sympathetic consideration. While the Department is in a better position to judge whether satisfactory basis exists for an agreement I feel that the French offers do represent an increased advantage of material importance to our trade and furthermore that the French Government has been sincere in its offers and has gone about as far as it feels it can do at this time both from its political and economic considerations. In this connection Bonnefon Craponne, Director of Commercial Accords at the Ministry of Commerce, has definitely informed the Commercial Attaché that such is the case stating that the extreme limit in concessions by France has now been reached and that if the new proposals just made are not acceptable to us the negotiations may as well be broken off. Foreign Affairs is of the same attitude relative to having reached the limit.

As a matter of record it may be well to recall that the present French concessions are in addition to those already accorded by them, the previous having included the granting of: general minimum tariff treatment throughout the entire list save for some 45 items; reductions from the minimum tariff on 7 items; supplementary quotas on some 20 items; and reduction of the import turnover tax to a uniform 2%. In the process our very shaky *modus vivendi* is replaced by a far more stable and extensive structure and it is important to remember that if negotiations were not successful the *modus vivendi* would, in their opinion, not be continued. Moreover, the French Government believes it should be given credit for blocking the recently contemplated film decree which incidentally Monsieur de la Baume informally assures us will not be revived as legislation

during the first year of the treaty in such manner as to prejudice American films. The French argue that weight should be accorded for the following:

(1) American goods have already obtained what is tantamount to 40% tariff advantages through dollar devaluation. In this connection it is pointed out that in anticipation of the negotiations the exchange surtax was not applied against the United States whereas it was applied against every other country and only removed from them in consideration of commercial treaties.

(2) The present French offer extends, practically gratuitously, to the colonies trade advantages estimated at some 100 million francs.

We here understand that the French concessions and in fact any agreements whatsoever are contingent upon procuring from the United States greater reductions than those which we thus far offer on laces, wines and cigarette paper. If the French offer is accepted in the belief that it is the best that can be obtained I cannot too strongly urge, not alone because it is a French *sine qua non*, but as well as a vindication, the sincerity and consistency of our announced trade barrier reduction policy that every effort be made to approximate French requests on the three items lace, wine and cigarette paper. If material satisfaction throughout cannot be given it is confidentially suggested that lace be emphasized, particularly fine and semi-fine Calais cotton lace. Further, if it proves absolutely necessary to deny satisfaction on all three of these items, the Embassy is convinced that substantial satisfaction on lace request is essential and might be the means of avoiding necessity of granting requests on cigarette paper.

Culbertson [29] returned to Paris yesterday and has been consulted in connection with this telegram.

STRAUS

PREVENTION OF DISCRIMINATION AGAINST AMERICAN MOTION PICTURE FILMS IMPORTED INTO FRANCE

851/4061 Motion Pictures/212a : Telegram

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

WASHINGTON, July 15, 1935—1 p.m.

280. Motion picture interests state that the French Council of Ministers on July 9 approved the cinema detaxation bill, and claim that the bill will become law on July 16. They also state that this matter has been taken up with the Embassy but that you do not feel that any representations can be made except upon receipt of instruc-

[29] Paul T. Culbertson, Assistant Chief, Division of Western European Affairs, temporarily in France.

tions from the Department. I feel that taxation of this sort, which discriminates against an American product is very objectionable. If the spread between the taxes on theaters showing French films and the theaters showing American films is not very great, the actual effect on the use of American films might not be at all extensive. However, if the principle is established, the spread could easily be increased to a point which would make the showing of American films practically impossible. Furthermore, this principle of levying lower taxes on establishments and individuals who use domestic products as against foreign products might certainly have far-reaching and serious consequences. Once American films have entered France they should be accorded national treatment, and there should be no discrimination against them by reason of the fact that they are foreign products.

Unless you find objection to taking such action, I suggest that this question be discussed fully and orally with the appropriate French authorities.

PHILLIPS

851.4061 Motion Pictures/213 : Telegram

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

PARIS, July 17, 1935—5 p.m.
[Received July 18—9:05 a.m.]

602. Referring to Department's telegram No. 280, July 15, 1 p.m., the moving picture interests have apparently misinterpreted Mr. Harold Smith's [30] telegram to them which was designed merely to secure the added force of instructions from the Department. Ever since the discriminatory amendment to the cinema detaxation project was introduced the Embassy has been in almost daily touch with Smith and has made repeated representations in the matter. The rumor is inexact that Council of Ministers approved the decree law on July 9 and that it took effect on July 16. (See my despatch No. 2007, of July 11 [31]).

Upon the receipt of the Department's telegram under acknowledgment the Embassy again discussed the subject with the Ministry for Foreign Affairs in the sense of the instruction. Moreover, I today handed Monsieur Laval's [32] Chief of Cabinet a memorandum of the conversation embodying the Department's objections. He stated that he was familiar with the matter and would do what he could.

---

[30] European representative of the Motion Picture Producers and Distributors of America, Inc.
[31] Not printed.
[32] Pierre Laval, French Minister for Foreign Affairs.

It appears that the amendment is still the subject of warm debate and that both Foreign Affairs and Commerce are doing their utmost to secure the deletion of the discriminatory provision but that Lafont (Minister of Public Health and author of the amendment) and probably the Minister of Education backed by powerful pressure from certain French cinema interests are so strongly insistent upon retention of the amendment as to place the final issue in doubt.

STRAUS

851.4061 Motion Pictures/216 : Telegram

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

PARIS, July 26, 1935—noon.
[Received July 26—10:25 a.m.]

633. Reference Embassy's telegram No. 602, July 17, 5 p.m., this year. Today's *Journal Officiel* contains a decree dated July 25 putting into effect project for detaxation of cinemas and other amusements. It is gratifying to note that the decree omits the Lafont amendment or any other provision discriminatory against foreign films. Please repeat to Commerce.

MARRINER

851.4061 Motion Pictures/222 : Telegram

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

PARIS, September 12, 1935—5 p.m.
[Received September 12—12:31 p.m.]

780. A draft decree designed to regulate the moving picture industry in France is now under study and may at any time be promulgated. Although the measure is one of internal control, some of its provisions would materially affect the American film industry in France. In the event that the Department is approached by American interests, it may care to know that a full report on the subject goes forward in the Embassy's pouch of September 13.[38]

MARRINER

851.4061 Motion Pictures/223 : Telegram

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

WASHINGTON, October 4, 1935—6 p.m.

396. Your despatch 2162.[38] You are requested to make formal inquiry of the French Government concerning the nature of the proposed

[38] Despatch No. 2162, September 12; not printed.

film decree on the grounds that press reports and rumors indicate that American film interests may be materially injured by its provisions.

For your information, in connection with the trade agreement we have requested (*a*) permits to show 100 dubbed films; (*b*) permits to show original version films in 10 theaters in Paris and 20 theaters in other departments; (*c*) quota of 93,900 kilograms. The proposed decree would have the effect of making any valuable concession on films impossible, thus jeopardizing the whole trade agreement.

You may use your discretion as to whether to make representations to the French authorities verbally or in writing but you are requested to impress energetically upon them the lamentable effect the promulgation of such a decree during trade negotiations would have upon American opinion.

HULL

851.4061 Motion Pictures/226

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

No. 2222 PARIS, October 8, 1935.
[Received October 15.]

SIR: Referring to the Department's telegraphic instruction No. 396 of October 4, 6 p. m., 1935, I have the honor to report that upon its receipt I requested Mr. Williamson [35] orally but formally to present to the Ministry for Foreign Affairs the Department's observations concerning the decree now under consideration designed to govern the status of the film industry in France. This he did on October 7.

The competent official at the Ministry confirmed the understanding that the text of the draft decree forwarded under cover of my despatch No. 2162 of September 12, 1935,[36] is that which is before the interested Ministries for study. He personally characterized it as an altogether unsatisfactory effort, probably harmful alike to the French and foreign moving pictures industry. He stated that the measure has aroused a storm of domestic protest, a fact which the Embassy is in a position to verify. It was thought likely by him that the decree would undergo considerable alteration before being finally promulgated. Although it is expected that some time will elapse before agreement on the text is reached, it would appear that if it is to be published as a decree law such must be done prior to October 31, when the authority granted for the issuance of decrees "for the protection of the franc" expires.

---

[35] Harold L. Williamson, Second Secretary of Embassy.
[36] Not printed.

The Foreign Office official telephoned the pertinent representative of the Ministry of Commerce who affirmed that the draft decree is undergoing searching scrutiny and that it would probably be some time before the authorities were prepared to issue it. He would not commit himself as to whether substantial modification in its present form could be relied on. It is the Embassy's understanding that the Ministry of Commerce feels it has done about all it can in making known its opposition to discrimination against foreign films. It does not seem to regard the provision which would require the respective theatres to show 30% French films as open to the same degree of criticism as the formerly proposed Lafont amendment which would have confined the benefits of certain tax reductions to those theatres exhibiting a stipulated percentage of French films. The active responsibility with regard to the proposed decree rests largely with the Ministry of National Education which is not credited with being as friendly as it might be towards foreign interests. It would nevertheless appear hardly likely that the Ministry can completely ignore the objections to the draft decree formulated by domestic groups and undoubtedly the Ministries of Foreign Affairs and Commerce will have some voice in the matter prior to the signature of the decree.

As to the provisions for the protection of American films which the Department has requested be incorporated in the commercial treaty, the Foreign Office official stated that they could not be included in the instructions which are about to be given the French Ambassador at Washington. He pointed out that it is obviously impossible to give commitments relative to precise film "quotas" for foreign countries until the projected film decree has taken definite form. To do so would be to risk running counter to the contemplated interior legislation. He was nevertheless emphatic in stating that, once the content of the decree were determined upon, supplementary instructions would be issued, probably in about three weeks' time, looking towards giving satisfaction to American interests through the vehicle of the commercial treaty.

It was learned that while the instructions and counter-proposal in the commercial treaty negotiations were yesterday not yet completed they will be by the time M. de Laboulaye [37] sails for the United States on October 9. A sanguine attitude was displayed relative to the ability to reach an agreement, although it was intimated that the treaty might not be quite so wide in scope as visualized a few months earlier. Emphasis again was laid upon the necessity of securing more material tariff reductions for French cigarette paper, wines and champagne and Calais lace. If this is accorded it was stated that some very attractive

[37] André de Laboulaye, French Ambassador in the United States.

quota concessions may be granted the United States, notably as concerns apples and pears, where the full quota asked ("and that is a very large one", it was remarked) could be given. In answer to an inquiry relative to whether the French Government is prepared to consolidate certain tariff items it was stated that a new and alternative formula has been evolved which it is believed will afford satisfaction to the United States on this score. While the Embassy is unacquainted with the character of this formula and consequently ignorant as to its worth, it is inclined to feel that it would be impracticable to insist on out and out tariff rate consolidation, which the present policy of the French Government renders very difficult if not impossible to accord. Some compensating assurances that the advantages secured in the treaty shall not be emasculated by subsequent augmentations in rates it is however recognized are highly desirable.

Respectfully yours, THEODORE MARRINER

851.4061 Motion Pictures/229

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

No. 2250 PARIS, October 18, 1935.
[Received October 25.]

SIR: With reference to the Embassy's despatch No. 2222 of October 8, 1935, I have the honor to report that trade circles in the last day or two gained the impression that a movement was on foot to push through the decree-law, which would govern the status of the cinema industry in France, with very little further consideration and perhaps within the scope of a week's time. In consequence it seemed advisable for the Embassy to make immediate representations in the matter. To this end I requested a member of the staff to call again at the Ministry for Foreign Affairs, in this instance discussing the subject directly with M. de la Baume, Chief of the Commercial Section. Furthermore, in view of the exigencies of the situation, it was thought advisable that the representations made should not be confined to the precise authority afforded in the Department's instruction of October 4, 6 p. m., directing only formal inquiries and the presentation of certain observations, but that they should, within the implied discretion afforded the Embassy, partake of the nature of a precautionary specific protest. That such was made last evening by the Embassy representative within the limitations of the care which must be employed in approaching foreign legislation may be of assistance to the Department in answering the pressure which is undoubtedly being brought upon it by American moving-picture interests.

The Embassy punctiliously pointed out that it does not fail to realize that the proposed decree-law regarding the cinema is ostensi-

bly one of domestic concern. It indicated, however, that certain of the provisions of the decree-law would in their effect reach beyond the interior realm and directly strike at American trade. With regard to such provisions we feel that we have a right to be consulted. In this connection there were specifically cited the clauses of the contemplated decree which would set up an agency for the handling of certain funds of the moving-picture industry in France inclusive of rentals of American films shown in this country and the stipulation requiring each individual theatre to show a given percentage of French films.

The Embassy emphasized that such provisions would not only injure the American film industry in France but that—and this is a very important consideration—they would definitely upset the maintenance of the *status quo* which is so essential to the present commercial treaty negotiations. After developing at some further length the thesis outlined above, the Embassy asked that its protest be made known to the authorities primarily responsible for the drafting of the decree-law and that if it were decided to promulgate the decree the Ministry for Foreign Affairs exercise its good offices towards insuring in so far as possible that those provisions which have an exterior repercussion be either eliminated or so modified as not to prejudice the present commercial treaty negotiations.

The Ministry for Foreign Affairs replied that it was fully cognizant of the American point of view and objections. It added that the decree-law is the subject of violent differences of opinion in French governmental circles and that, as is known, it is also the object of very material opposition in a number of trade elements. The situation is therefore so chaotic that, as the Ministry elucidated, it seems almost certain that no regulations of a general nature can safely be promulgated without long and serious consideration. M. de la Baume consequently expressed the personal opinion that it would probably be a number of months before new film regulations can be issued. He said that of course he could not guarantee that the decree-law will not be slipped through precipitately, but that he regarded such an incident as highly improbable. Likewise, although he naturally could not at this juncture give any assurances that the provisions objected to by American film interests would be modified, he emphatically asserted that all Ministries concerned would have an opportunity to scrutinize the stipulations of the decree before action was taken. In fact, the decree is to be examined today at a meeting of the Council of Ministers and it may then be decided what course is to be followed with regard to future consideration of the document—that is, whether an attempt will be made to promulgate in the near future some form

of decree based in general principle upon the present text or whether more leisurely and searching study will be given the problem. The likelihood, the Embassy was given to understand, is that the authority to issue a decree-law on the subject, which expires on October 31, will not be availed of and that, instead, appropriate legislation will be forthcoming at some considerably later date.

From a member of the staff of the Commercial Section it was learned that there is apparently a hope of deferring the coming into effect of any regulations in the matter until January 1, 1937, when, presumably, such Franco-American commercial treaty as may be negotiated will have been in vigor for its initial year. The same informant voiced the possibility that the French Government, once it shall be acquainted with the probable course of events as concerns the contemplated decree-law, will be in a position to afford the United States as a final treaty concession assurance that the present *status quo* of American films in France will be respected.

Respectfully yours, JESSE ISIDOR STRAUS

851.4061 Motion Pictures/230 : Telegram

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

PARIS, October 30, 1935—noon.
[Received October 30—8:20 a.m.]

929. Reference my despatches numbers 2250 and 2266 of October 18 and 29.[88] As a result of the Embassy's representations just prior to the Cabinet meeting yesterday morning, the Foreign Office has now informed me that the Cabinet definitely decided not to issue the projected decree law for regulation of the moving picture industry.

This means that the matter can only arise again if projects for legislation on this subject come before Parliament when it meets.

STRAUS

851.4061 Motion Pictures/230 : Telegram

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

WASHINGTON, October 31, 1935—3 p.m.

441. Your 929, October 30, noon. I wish to convey to you and your staff my hearty congratulations for the manner in which the motion picture question has been handled.

HULL

[88] Despatch No. 2266, October 29, not printed.

UNSUCCESSFUL INFORMAL REPRESENTATIONS BY THE UNITED STATES FOR THE REMOVAL OF RESTRICTIONS ON THE IMPORTATION OF AMERICAN NITRATES INTO FRANCE [39]

651.116 Nitrate/81 : Telegram

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

WASHINGTON, February 18, 1935—6 p.m.

60. *New York Times* publishes Paris despatch that United States has been shut out of French nitrate market this year, Chile and Norway receiving 80,000 and 20,000 tons respectively. If appropriate at this stage, please take matter up with French again, emphasizing this Government's position as outlined in Department's 469, November 21, 1934.[40] Please advise Department by cable.

HULL

651.116 Nitrate/80 : Telegram

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

PARIS, February 19, 1935—2 p.m.
[Received February 19—11 a.m.]

144. Reference Department's telegram No. 60, February 18, 6 p.m. It is true that Chile and Norway have been accorded entire nitrate quota and that United States has been this morning refused participation. Embassy and Commercial Attaché in particular have, however, been in almost daily communication with authorities urging maintenance of our position under quota agreement of 1932.[41] Inter-ministerial meeting to decide question is scheduled for tomorrow. Although we are unofficially informed that Foreign Office is doing its best to support our views and nitrate buying organization is favorably inclined towards purchasing small tonnage, Agriculture appears inalterably opposed.

STRAUS

651.116 Nitrate/83

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

No. 1744

PARIS, April 1, 1935.
[Received April 10.]

SIR: Referring to my telegram No. 152 of February 21, 12 a.m., 1935,[42] I have the honor to transmit herewith, in copy and translation,

---

[39] For previous correspondence, see *Foreign Relations* 1934, vol. II, pp. 210 ff.
[40] *Ibid.*, p. 214.
[41] For the quota agreement of May 31, 1932, see telegram No. 342, May 31, 1932, from the Ambassador in France, *ibid.*, 1932, vol. II, p. 232.
[42] Not printed.

a note from the Ministry for Foreign Affairs, dated March 28, 1935,[43] in response to my representations directed towards maintaining a share in French imports of nitrate for American interests. As may be recalled the Embassy, acting under instructions from the Department, insisted that aside from other compelling considerations we are entitled to share in the issuance of licenses for the import of nitrate by virtue of the provisions of the Franco-American quota agreement of May 31, 1932. There appears to have been some sympathy in the Ministry for Foreign Affairs for the thesis of the American Government, but whatever opinion may have existed favorable to recognizing the bearing of the quota agreement upon the allocation of nitrate licenses was at length overruled and, as may be seen from the attached note,[43] the American request is categorically rejected.

It is clear that the French Government was faced with a dilemma in which it was difficult if not impossible to accord to the United States participation in the small imports of nitrate called for during the present season. Instead of admitting our rights but asking indulgence until some satisfactory means might be worked out of making possible American imports, the French authorities have very obviously resorted to the unfortunate tactics of building up an elaborate but flimsy argument in rebuttal of our representations.

The French Government alleges *inter alia:* that the system of nitrate control is not parallel to the normal quotas envisaged by the 1932 agreement where allocations are made on the basis of previous imports; that if there were a parallel we would not enjoy an allotment under a system which came into effect in May, 1931;[44] that it cannot admit that the most-favored-nation provisions of paragraph A of the quota agreement may be invoked concerning nitrate; that the word "restrictions" in that paragraph likewise has no bearing on the nitrate situation since "restrictions" was understood by the French negotiators to mean such conditions affecting importation as the requirement of marks of origin, etc.; that the nitrate system constitutes a monopoly; that the French Government is under prior commitment to Germany with regard to imports of synthetic nitrate; that while American nitrate producers did not sign the cartel agreement they are believed to be bound by confidential understandings with producers of other countries and that the cartel with the support of American producers forced upon France the commitment with Germany by the imposition of unacceptable prices in the French market; and finally that the French Government cannot admit that American producers may according to convenience attempt to impose high prices, request the maintenance of a free market or claim protection under the quota

[43] Not printed.
[44] See *Foreign Relations*, 1931, vol. II, pp. 258 ff.

agreement. The French note ends in a conciliatory manner but with no definite promises for the future.

Respectfully yours, JESSE ISIDOR STRAUS

RATIFICATION BY FRANCE OF THE TREATY OF APRIL 27, 1932, RELATING TO DOUBLE TAXATION, AND PROPOSAL BY FRANCE FOR A SUPPLEMENTARY AGREEMENT [45]

811.512351 Double/229 : Telegram

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

WASHINGTON, March 12, 1935—7 p.m.

84. It is difficult for us to understand the continued delay of the French Senate in taking up the double taxation treaty in view of the numerous promises that have been made to you by the highest French authorities that the Government would obtain ratification at an early date. It is now over two and one-half months since the treaty was approved by the Chamber. The failure of France to ratify the treaty has a direct and unfortunate bearing on nearly all subjects of Franco-American relations that come before us.

HULL

811.512351 Double/231 : Telegram

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

PARIS, March 16, 1935—10 a.m.
[Received March 16—7:40 a.m.]

209. Foreign Minister last evening told me that on Friday next he has arranged to appear before Finance Commission of Senate to urge ratification of double taxation treaty and is practically certain of persuading members to report favorably.

STRAUS

811.512351 Double/236 : Telegram

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

PARIS, March 28, 1935—1 p.m.
[Received March 28—10 a.m.]

260. Senator Abel Gardey deposited with the Senate on March 26 the report in the name of the Finance Committee concerning the double taxation treaty. This report was ordered printed and appears

---

[45] For text of treaty, see *Foreign Relations*, 1932, vol. II, p. 268. For correspondence regarding efforts of the United States to secure ratification of the treaty by France, see *ibid.*, 1934, vol. II, pp. 167 ff.

this morning. The opinion of the Foreign Affairs Committee was requested on this report and its report favorable to the conclusion of the Finance Committee was deposited yesterday evening in the Senate by Senator Reynaldy.

As Parliament may adjourn tomorrow I yesterday got in touch with M. Laval [46] who informs me this morning that he is going himself before the Senate this afternoon in an effort to put the treaty through.

Texts of the reports which follow the lines of that of the Chamber's Committee on Finance transmitted with Embassy's despatch 1664, March 1, 1935,[47] will be forwarded by mail.

MARRINER

811.512351 Double/237 : Telegram

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

PARIS, March 29, 1935—11 a.m.
[Received March 29—9 : 05 a.m.]

264. My 260, March 28, 1 p.m. I saw Foreign Minister Laval this morning who informed me that the double taxation treaty passed the Senate last night. This means that only the formalities of Presidential signature and exchange of ratifications remain to be completed. Presumably the instrument of ratification will be submitted to the President of the French Republic for his signature at one of the Cabinet meetings next week.

MARRINER

811.512351 Double/237 : Telegram

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

WASHINGTON, April 4, 1935—8 p.m.

119. Your 264, March 29, 11 a.m. I want you to know how fully we appreciate the splendid work you have done in obtaining Parliamentary approval on this treaty. We have received numerous expressions of appreciation from interested American concerns. I am sure you are lending every effort to getting immediate exchange of ratifications, but I do hope that there will not be much more delay in accomplishing such an exchange. The announcement of an exchange of ratifications would certainly create a more favorable attitude here for the reception of the announcement which may be made with regard to intention to negotiate a trade agreement with France.[48]

HULL

---

[46] Pierre Laval, French Minister for Foreign Affairs.
[47] Not printed.
[48] See pp. 211 ff.

811.512351 Double/247

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

No. 1769 PARIS, April 9, 1935.
[Received April 17.]

SIR: I have the honor to confirm my telegram No. 310 of April 9, 11 a.m., 1935,[49] stating that the exchange of ratifications of the double taxation convention and protocol of April 27, 1932, took place this morning at the Quai d'Orsay. There is sent under separate cover, for the Department's archives, the French instrument of ratification as well as a copy of the protocol attesting to the exchange signed by the Minister for Foreign Affairs, Monsieur Laval, and myself.

As a matter of record I also transmit herewith an excerpt from the *Journal Officiel* of April 6, 1935,[49] containing the text of the law by which the French Parliament approved the convention, signed by the President of the Republic on April 5, 1935.

It should be reported that at the time of the exchange of ratifications no mention was made by the French authorities of the resolution of Parliament providing for approaching the American Government on the subject of securing for French interests further assurances with regard to taxation in the United States.

Respectfully yours, JESSE ISIDOR STRAUS

811.512351 Double/259 : Telegram

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

PARIS, July 12, 1935—noon.
[Received July 12—7:50 a.m.]

585. Reference my despatch No. 1769 of April 9, 1935. Department will recall that article 2 of law of April 5 approving double taxation convention provides that decree of ratification may in accordance with understanding with American authorities put convention into force at earlier date than January 1, 1936.

A note has just been received from the Foreign Office suggesting that in accordance with the above provision an earlier date be fixed and asking the American Government to propose the date which seems most appropriate to it.

Telegraphic instructions would be appreciated.

STRAUS

---

[49] Not printed.

811.512351 Double/259 : Telegram

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

WASHINGTON, July 24, 1935—4 p.m.

296. Your 585, July 12, noon.

1. It is not clear to the Department what benefit to either of the Governments or to the taxable enterprises affected by the Convention would result from bringing the Convention into force before January 1, 1936. Such action would shorten the period which American corporations have for preparing and filing declarations under paragraph 2 of Article V and paragraph 2 of Article VI. It would also cause confusion in the application of the third paragraph of Article X.

2. A change in the date for bringing the Convention into effect would be an amendment of the Convention itself. It could be made on the part of the United States only in the form of a supplementary agreement of the President of the United States by and with the advice and consent of the Senate with the legally competent authorities of the French Government. It is doubtful whether such an amendment if attempted could be carried through before the adjournment of Congress.

3. You are, therefore, instructed to inform the Foreign Office that this Government is not inclined to accept its suggestion that the convention be brought into force at a different time than is provided in the Convention itself, informing the Foreign Office in your discretion of the situation in respect of the United States as stated in paragraph number 2 above.

4. The Department would be glad to receive any comments which the Embassy would be disposed to make on the subjects mentioned in paragraph number 1 of this telegram.

PHILLIPS

811.512351 Double/266 : Telegram

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

PARIS, July 26, 1935—noon.
[Received 12:15 p.m.]

634. Referring to Department's telegram No. 296, July 24, 4 p.m., as the double taxation convention will come into effect in normal course within 5 months, the Embassy shares the Department's apprehension that there might be delays in obtaining the Senate's consent to ratification of any supplementary agreement within that time.

Therefore, with the Department's approval, I would address a note to the Foreign Office thanking them for their offer to advance the date and stating that a change of this character would require a

supplementary agreement, ratification of which would entail the consent of the Senate. Therefore, in view of the fact that the present Congress has but a short time longer to run and does not reconvene until the end of the year, the American Government considers it preferable to allow the treaty to come into effect on the prescribed date. In conclusion it might be stated that in order to complete the legal steps in connection with the treaty it would be much appreciated if the French Government were to see its way to an early promulgation of the convention which it will be recalled was proclaimed by the United States on April 16, 1935.[51]

MARRINER

811.512351/275 : Telegram

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

PARIS, October 2, 1935—11 a.m.
[Received October 2—7 : 18 a.m.]

842. My 840, October 1, 6 p.m.[52] The decree promulgating double taxation convention, dated yesterday appears in today's *Journal Officiel* making the convention effective as of January 1, 1936.

MARRINER

811.512351 Double/278

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

No. 2238

PARIS, October 14, 1935.
[Received October 22.]

SIR: In my despatch No. 2214 of October 2, 1935,[52] I had the honor to report that the Ministry for Foreign Affairs had indicated that after the completion of the formalities for putting into effect the Franco-American double taxation convention of April 27, 1932, it would send a note asking consideration of a rider to the convention. The convention having been promulgated on October 2, the anticipated note has now been received by the Embassy. The note, which is dated October 12, 1935, is enclosed in copy and translation.[52]

As the Department may observe the Ministry for Foreign Affairs suggests in effect the negotiation of an addition to the Convention whereby, in recognition of the circumstance that American citizens residing in the United States are exempt from the French general income tax, French citizens resident in France be reciprocally exon-

[51] The proposed note was approved with the modification that "reconvene until the end of the year" be changed to read "convene again in regular session until January next" (Department's telegram No. 303, July 29, 1935, 6 p.m., not printed).
[52] Not printed.

erated from the American surtax on all income from sources within the United States [54] or, if this is not acceptable, that they at least be exonerated from the surtax as regards dividends and interest from American sources. The first suggestion is similar to the French text of the proposal for Article X (old numbering) made during the course of the double taxation negotiations, while the alternative suggestion corresponds with the text of the American counter proposal for that Article.

In order to throw light on how much or how little this concession would mean to the American Treasury it is convenient to recall the figures submitted by the Secretary of the Treasury in a letter addressed to the Secretary of State on January 27, 1932.[55] It is therein stated that for the year 1929 there were 1,969 individual income tax returns filed by or in behalf of French citizens, non-residents of the United States (but not all of whom were necessarily residing in France). On only 360 of these returns were surtaxes computed. The total surtaxes levied on the basis of these returns amounted for the year 1929 to $748,974.00. The taxes were computed from the following sources of revenue as shown by the returns:

Interest	$1,218,878.00
Dividends	5,275,277.00
Other income	4,887,332.00
Total income	$11,381,487.00
Deductions	590,365.00
Net income	$10,791,122.00
Surtaxes	$748,974.00

Analysing these figures the Embassy has found that, if it may be assumed for purposes of estimate that the amounts which were due in surtaxes respectively on interest, dividends and other income bear the same ratio to the total surtaxes as the individual items of income declared do to the total income so declared, the surtaxes collected are attributable as follows:

To interest	$80,209.88
To dividends	347,147.20
To other income	321,616.92
	$748,974.00

In other words, France asks on behalf of French citizens under the first suggested formula, namely the waiving of the surtax on all sources

[54] For additional correspondence on taxation by the United States of non-resident aliens on income derived from sources within the United States, see vol. I, pp. 481 ff.

[55] Not printed.

of income, an exemption amounting to some $748,974.00, or under the second formula, to wit, the waiving of the surtax on dividends and interest only, an exemption amounting to approximately $427,357.08.

In making the request the Ministry for Foreign Affairs orally asks the Embassy to emphasize to the Department a situation which it could not appropriately discuss in the official note. The Ministry states that the Ministry of Finance and the Parliamentary finance commissions had, as is known, been strongly opposed to the Double Taxation Convention which was considered of materially greater value to the United States than to France. It was, in consequence, only under the exercise of the heaviest pressure by the Ministry for Foreign Affairs that French ratification was secured and even then only upon the condition that the French Government subsequently undertake to secure an addition to the convention, such as the present proposal, which would accord relief to certain classes of French citizens deriving income or profits from the United States. The Ministry for Foreign Affairs therefore feels that it is on trial before both the Ministry of Finance and the pertinent committees in the Chamber of Deputies and Senate. Unless success is attained in securing some sort of exoneration from the American surtax the Ministry alleges its position will be prejudiced and it will be open to the charge of not sufficiently protecting French interests. It states that in many matters it has frequently had to go before the Ministry of Finance and fight on behalf of American interests and that Finance will be in a much more receptive mood for such future good offices should the present overture prove acceptable to the American Government. Finally it asserts that it attaches very particular importance to the request now being made and that it would be most grateful if the American Government were to examine the proposal sympathetically and in the light of the good neighbor policy.

Respectfully yours, THEODORE MARRINER

811.512351 Double/282

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

No. 1142 WASHINGTON, December 19, 1935.

SIR: The Department refers to your despatch No. 2238 of October 14, 1935, relating to the desire of the French Government to conclude an addendum to the Double Taxation Convention of April 27, 1932, and encloses for your information a copy of a letter of December 13, 1935,[56] received from the Treasury Department.

[56] Not printed.

It is suggested that you advise the French Ministry of Foreign Affairs at this time that, as stated in the Treasury Department's letter,

"The whole question of the taxation of income derived by aliens from sources within the United States is under consideration by this Government. It is thought that definite action at the present time on the proposed addendum to the Convention and Protocol of April 27, 1932, should not be entered into until a study of the general subject is completed."

You are also requested to inform the French authorities that it would be helpful in considering the proposed addendum to have information concerning any loss of revenue which might be suffered by the French Government as the result of its proposed undertaking not to impose taxes on the income derived from sources in France by American citizens residing in the United States.

Very truly yours,

For the Secretary:
FRANCIS B. SAYRE

OPPOSITION BY THE DEPARTMENT OF STATE TO PROPOSED DENIAL BY THE STATE OF MONTANA OF LICENSE TO FRENCH INSURANCE COMPANY BECAUSE OF DEBT DEFAULT BY FRANCE

811.506/107

The State Auditor of Montana (Holmes) to the Secretary of State

HELENA, MONTANA, December 29, 1934.
[Received January 2, 1935.]

DEAR SIR: The French Union and Universal Insurance Company, of Paris, France, has made application to the State of Montana for a license to transact the business of fire insurance in the State of Montana. The French Union and Universal Insurance Company was organized on the 22nd day of June, 1899, and, since that date, it would appear, has been operating a fire insurance company under its corporate existence.

The Insurance Department of the State of Montana is of the opinion that American companies now operating in the State of Montana under Departmental license offer the insuring public of the state adequate and ample opportunity to insure all risks existing in the state. The Department is of the opinion that corporations of foreign countries which have refused or have been dilatory in meeting their war debt to the United States should receive little or no consideration by State Departments where it is remembered that surplus earnings of such corporations will inure to the benefit, either directly or indirectly, of the country which has repudiated or has been dilatory in meeting its war obligations to the United States of America. The Montana

Department is prone to deny the application of the French Union and Universal Insurance Company, of Paris, France, solely on this ground, however, before so doing, the Department desires to be informed as to whether or not such an act would be in violation of any treaty existing between the Republic of France and the United States of America.

The Insurance Department has made a study of the Consular Convention between the United States of America and His Majesty, the Emperor of the French, as proclaimed by the United States on the 12th day of August, 1853,[57] and, from such study, concludes that the contemplated action on the part of the Department would not be violative of any of the provisions contained in said convention except Article 7, which, in substance, provides that Frenchmen shall enjoy the same right of possessing personal and real property by the same title and the same manner as citizens of the United States. The fire company under discussion might declare that, as part of its business, it would become possessed of personal and real property and that an inhibition to so do by any State Department would be violative of express provisions of Article 7 of the Consular Convention above referred to.

There may be other treaties or agreements existing between the United States of America and the Republic of France, of which the Department has no knowledge, which would prohibit the Department refusing a license to the fire company on the grounds herein set forth.

The Department respectfully requests to be advised by your honorable office as to whether or not a refusal of the Department to issue a license to the French Union and Universal Insurance Company, of Paris, France, on the grounds that it is a corporation of a country which has failed to wholly meet its war debt with the United States, would be violative of any treaty or agreement now existing between the United States of America and the Republic of France.

Respectfully submitted, JOHN J. HOLMES

811.506/107

The Secretary of State to the Governor of Montana

WASHINGTON, January 15, 1935.

SIR: The receipt is acknowledged of a letter dated December 29, 1934, from Mr. John J. Holmes, State Auditor and Ex-officio Insurance Commissioner, regarding the proposal of the Insurance Department of the State of Montana to refuse a license to the French Union

[57] Signed at Washington, February 23, 1853, Hunter Miller (ed.), *Treaties and Other International Acts of the United States of America*, vol. 6, p. 169.

and Universal Insurance Company of Paris, France, to do business in Montana on the grounds that it is a corporation of a country which has failed to wholly meet its war debt to the United States.

I am writing to you in regard to this matter inasmuch as it is the long-established practice of this Department to communicate with the state officials through the Chief Executive of the State.

It is apparent to me that it is the desire of the Insurance Department to cooperate with the Federal Government and with this Department in particular in an endeavor to bring about a satisfactory adjustment of the debt owed by the Government of France to the Government of the United States.[58] I sincerely appreciate this attitude, but I am constrained to say that I am apprehensive regarding the potential consequences of the proposed action.

The French insurance company in question is doubtless not responsible in any way for the present attitude of the French Government regarding war debts.

It will be appreciated that American companies and capital operate on an extensive scale in French territories. Retaliatory measures which might be adopted might lead to substantial disadvantages to American foreign commerce and enterprise. I consequently entertain the view, from the standpoint of the conduct of international relations, that whatever steps are taken by the Insurance Department of Montana, with regard to issuing a license to this French insurance company, should be without regard to the position the French Government may take from time to time in the course of the negotiations for the settlement of its public debt to the United States. The two questions are quite distinct, and it would, in my opinion, be of assistance to this Government in future negotiations to have them so remain.

I have not endeavored to enter into a legal discussion of the treaties between the United States and France, because only the Federal courts of this country could render an authoritative opinion, but principally because I deem this question one of such delicacy that I trust the matter may be disposed of on other grounds, i. e., on the basis of a considered public policy which takes all of the possibilities into consideration.

I have [etc.] CORDELL HULL

[58] See vol. I, pp. 374 ff.