GREAT BRITAIN AND THE CARIBBEAN, 1901-1913

A STUDY IN ANGLO-AMERICAN RELATIONS

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ABSTRACT

GREAT BRITAIN AND THE CARIBBEAN, 1901-1913
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by Warren G. Kneer

The spread of American influence into the Caribbean and Central America during the Roosevelt and Taft administrations created a difficult situation for the British Foreign Office. With Britain committed to a policy of maintaining Anglo-American friendship, the Foreign Office faced the delicate problem of protecting British interests in the area in a way that would not antagonize the United States. Although Britain no longer professed to have any political or strategic ambitions there, it was inevitable that British economic interests would be affected by American imperialism. This dissertation aims to describe the reaction of the Foreign Office to the pressures brought to bear on the British government by those commercial and financial groups that desired a more vigorous defense of their interests, and to determine whether the new Anglo-American friendship led to any meaningful cooperation between the two countries in Latin America.

In 1901 and 1902, Lord Lansdowne's Foreign Office still pursued a vigorous policy of defending the rights of British claimants and bondholders, but the American and British reaction to the Anglo-German coercion of Venezuela brought

this policy to an abrupt end. During the remaining years of the Roosevelt administration, both Lansdowne and his successor Sir Edward Grey deferred to the United States. The considerable pressure exerted by British commercial and shipping interests over American reciprocity in Cuba was not even able to arouse any strong response from the British government. The Admiralty's fleet reorganization of 1904-1905 only accentuated the decline of British influence in the Western hemisphere, for the drastic cuts even went beyond the wishes of the Foreign and Colonial Offices.

The cordiality of Anglo-American relations in the Caribbean after 1903 resulted from the British government's reluctance to take a strong stand in defense of British interests, not from any assumption by the United States of a role of "international policeman" in the area. The Roosevelt "corollary" to the Monroe Doctrine created as many problems for the Foreign Office as it solved. It did nothing to relieve the British government from the constant complaints of the bondholders, for the Council of Foreign Bondholders became increasingly disillusioned with American policy.

During the Taft years, the Foreign Office could no longer ignore the fact that British and American interests in Latin America were not always identical. "Dollar diplomacy" in Central America intensified the pressure from the British bondholders, and left a legacy of suspicion and

distrust of American motives and tactics. The passage of the Panama Canal Tolls Act of 1912 caused the most serious crisis between the two countries since the Venezuelan blockade. This deterioration of Anglo-American relations was aggravated by the tactless methods of Knox's State Department, and by the traditional attitudes of anti-Americanism held by some of the personnel of the Foreign Office.

By the end of the Taft administration, Britain had moved towards a more independent Latin American policy. Her recognition of the Mexican government of Victoriano Huerta and her vigorous defense of her treaty rights in the canal tolls controversy showed that there were limits to British passivity when large British interests were in peril. The Foreign Office's refusal to cooperate with American plans to settle the claims of Nicaragua and the strong support given to the British holders of Guatemalan bonds testify to Britain's new mood of independence, for in these cases the Foreign Office risked American displeasure over issues in which British interests were relatively minor.

There is little evidence of any "special relationship" between the United States and Britain in Latin America during the Roosevelt and Taft years. The United States merely assumed British acquiescence to American imperialism and gave few concessions in return. The continued increase in value of British investments and commerce in the Caribbean

and Central America mitigated the situation, but even this was unable to prevent the stresses and strains that are inevitable in such a one-sided relationship.

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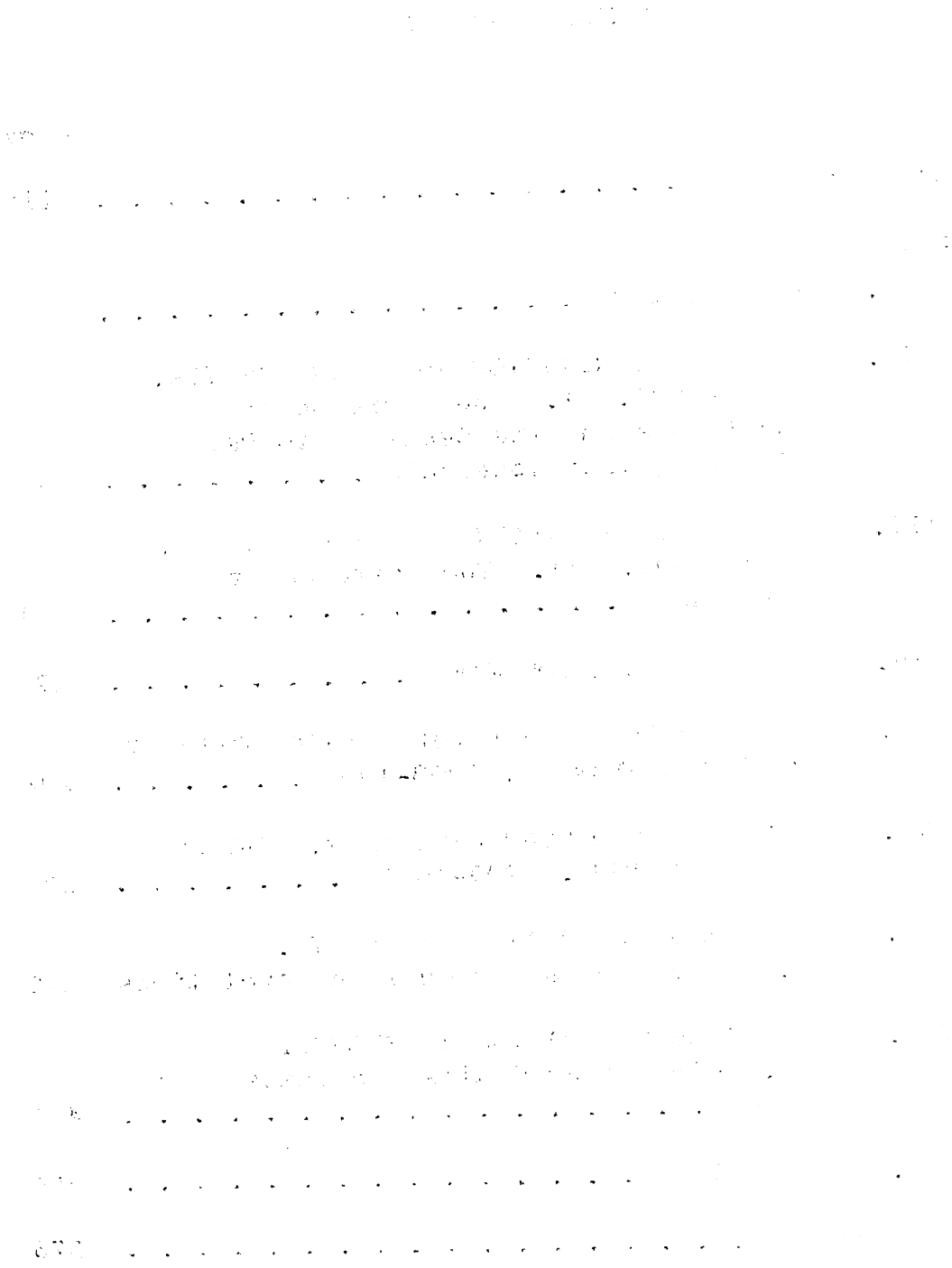

CHAPTER I

INTRODUCTION

During the early years of the twentieth century, British foreign policy was undergoing a significant transformation. British power was overextended, and "splendid isolation" was giving way to a policy of alliances and ententes aimed at the protection of British interests in a world of increasingly dangerous rivalries and competition. Although it was impossible to secure any alliance or even any formal understanding with the United States, there was a very real Anglo-American rapproachment underway by the turn of the century.[1] Britain's response to her two most aggressive competitors--Germany and the United States--was to gird for Armageddon against the one and to cultivate the friendship of the other. Friendship with the United States became one of the major goals of British diplomacy. It was a policy that few would question, and one that transcended

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[1]For the welcome given to American imperialism in Britain at the turn of the century, see Geoffrey Seed, "British Reactions to American Imperialism Reflected in Journals of Opinion, 1898-1900," Political Science Quarterly, LXXIII (June, 1958), 254-72.

Conservative and Liberal party differences.[1]

This new emphasis on maintaining cordial relations with the United States inevitably affected Britain's diplomacy in Latin America. Deference to the Americans in Latin America was in a sense a corollary to the general policy of Anglo-American understanding. This was particularly necessary in the Caribbean and Central America, for American activity in Latin America during the Roosevelt and Taft administrations centered around the Isthmus of Panama and the countries dominating the sea approaches to the site of the proposed canal. The fear of foreign domination of the weak, unstable republics of Central America and the island republics of the Caribbean was the primary impulse behind the Roosevelt "corollary" to the Monroe Doctrine and American "dollar diplomacy."

Americans talked of the Monroe Doctrine, but, to Europeans schooled in the traditional terms of power politics, the United States was creating an exclusive sphere of influence or interest in the area and transforming the

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[1]The story of the growth of Anglo-American friendship during these years has been ably told and the reasons for it analysed in depth. See Charles S. Campbell, Jr., Anglo-American Understanding, 1898-1903 (Baltimore, 1957); A. E. Campbell, Great Britain and the United States, 1895-1903 (London, 1960); Lionel M. Gelber, The Rise of Anglo-American Friendship, A Study in World Politics (London, 1938); and chapter 15 of H. C. Allen, Great Britain and the United States (London, 1954).

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Caribbean into an American lake. Any European nation desiring good relations with the United States was forced to tread warily in this geographical area ranging from Colombia and Venezuela in the south to Mexico and Cuba in the north. British sympathy in the Spanish-American War and British concessions in the canal treaty of 1901 played a significant part in forging the new Anglo-American friendship, but this in itself was not enough to maintain it. Britain had to continue a policy of acquiescence to the ever-widening spread of American influence in this crucial area.

No European nation's interests in Latin America were larger or more directly affected by American imperialism under Roosevelt and Taft than Great Britain's. Yet little has been written about the British reaction to the "big stick" and "dollar diplomacy." According to the usual accounts of Anglo-American relations, there is a seemingly placid period between the uproar caused by the Venezuelan blockade of 1902-1903 and the obvious tensions between the two countries caused by the Panama Canal tolls controversy and the Mexican revolution a decade later. Much has been written about the benefits that Britain derived from her "withdrawal" from the Western hemisphere, but little attention has been paid to the difficulties experienced by the Foreign Office in defending British interests in this new situation. The object of

this study is to fill this lacuna in our knowledge of this period, and to see what new light may be shed on both British and American diplomacy by a Latin American case study of the Anglo-American "entente" in action.

What does such a study show? Despite the continuing belief that America's entrance into the ranks of the great powers was a boon to Britain's world-wide foreign policy, it soon became clear to the Foreign Office that American imperialism in Latin America was not an unmixed blessing. Beneath the calm surface of Anglo-American relations, there were very real pressures exerted on the Foreign Office to take a more vigorous and independent stand in defense of British interests in Central America and the Caribbean. This pressure came primarily from commercial interests who feared the possible closing of the "open door" in the area and from the British bondholders. The assumption that the spread of American influence was benevolent to British interests was not always in line with reality. The Foreign Office never wavered in maintaining the policy of accepting American political hegemony, but there were limits to the degree to which the statesmen could remain passive in the defense of British commercial and financial interests. By the end of the Taft administration, Anglo-American relations in Latin America had seriously deteriorated. But before the

course of events can be understood, it is first necessary to consider the exact nature and pattern of British interests in the American "sphere of influence."

By the turn of the century, British interests in the Western hemisphere were primarily commercial and financial rather than political or strategic. In considering the decline of British strategic interests in the Caribbean, much emphasis has been placed upon the British decision to accept the Hay-Pauncefote Treaty of 1901 by which the United States rid itself of earlier treaty restrictions against an American owned and operated isthmian canal. For example, J. A. S. Grenville has called the canal treaty "one of the great treaties of the twentieth century," in that it embodied the decision by Great Britain "to concede to the United States the supremacy in the Western hemisphere."[1] But what had Britain really conceded? During the negotiations in 1901, the Admiralty pointed out that "from a purely naval and strategical point of view" it was "not really in the interests of Great Britain" that an isthmian canal be constructed,[2] but the actual British naval strength in American waters prior to the signing of the treaty indicates

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[1]J. A. S. Grenville, "Great Britain and the Isthmian Canal, 1898-1901," American Historical Review, LXI (October, 1955), 66, 69.

[2]Admiralty to Foreign Office, January 5, 1901, quoted in C. S. Campbell, op. cit., pp. 357-60.

that American supremacy in the Caribbean was something already conceded in fact if not by official policy.

When Admiral Sir John Fisher became Commander-in-Chief of the North American Station in August of 1896, it was already a "backwater of naval activity," and Fisher's flagship was the only large vessel in the squadron.[1] During the Venezuelan crisis of 1895-1896 there were no preparations by the British government to send reinforcements to either the North American or Pacific squadrons. As Arthur J. Marder points out the reason for this was the unlikely possibility of war, but "the failure to take even precautionary measures must be attributed to the general European situation and the utter inability of the Admiralty to spare ships from other stations. . . ." When asked what ships would be sent in the event of war with the United States, the Admiralty replied that "this contingency would produce entirely exceptional conditions for which no provisions can be made even approximately beforehand."[2]

In 1899, The Naval Annual listed British strength in American waters as one battleship, seven second and third class cruisers, and eight smaller craft, while American

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[1]Admiral Sir R. H. Bacon, The Life of Lord Fisher of Kilverstone (Garden City, N. Y., 1929), pp. 114-15.

[2]Arthur J. Marder, The Anatomy of British Sea Power (Hamden, Conn., 1964), pp. 255-56.

strength, given for the first time that year, was already superior. After 1900 the largest British ship on station was a first class cruiser.[1] When the Commander-in-Chief of the Pacific Squadron, based at Esquimalt, Canada, complained about the weakness of his command in 1901, the Admiralty admitted that it was impossible to be superior in all theatres.[2]

The signing of the Hay-Pauncefote Treaty in 1901 was an important step in the shifting power relationship of the United States and Britain in the Caribbean, but the concessions do not seem to represent any dramatic shift in British policy. The treaty was more a significant culmination of the declining British political and strategic interests in the Western hemisphere that had been underway for years. In any event, the British statesmen responsible for the treaty were not unhappy with the results. As Ambassador Pauncefote reported from Washington:

> The success of the Canal Treaty has been a great blow to my "chers collegues" here. Not one of them has offered congratulations, & throughout they have

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[1]See listings in The Naval Annual, 1899 to 1913. American strength for 1899 was given as: 3 battleships, 2 first class cruisers, 8 second and third class cruisers, 6 sloops and gunboats. Harold and Margaret Sprout rate the major ships of the North American Squadron of the United States in 1897 as 3 first class battleships, 2 second class battleships, and 2 armored cruisers. The Rise of American Naval Power (Princeton, 1942), p. 217.

[2]Marder, op. cit., p. 450.

> maintained a lugubrious silence. It was hoped no doubt that the Treaty would again be mangled in the Senate & that the entente cordiale would perish with it. If we now settle the Alaska trouble they will be in despair & I shall be able to say with infinite satisfaction "nunc dimittis".

Lord Lansdowne agreed. "How delightful it would be if you should be able, before you leave Washington, to give us that clean slate we all so much desire."[1]

The decline of British political and strategic interests in Latin America and the acceptance of American naval predominance in the Western hemisphere did not mean that British commercial and financial interests were declining there. Herein lay the basic British dilemma. To what degree would American political and naval hegemony go hand in hand with economic domination of Latin America? Would Britain benefit from an American imposed stability? Or would the Americans use their power to supplement their already formidable "natural" advantages in the area?

After suffering some rather severe and prolonged trade slumps during the later part of the nineteenth century, British commerce at the turn of the century was on the verge of a rapid increase that lasted until World War I. From 1895 to 1913, total British export values more than doubled

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[1]Pauncefote to Lansdowne, December 19, 1901; Lansdowne to Pauncefote, December 31, 1901. Lord Lansdowne Papers (Foreign Office Library, London), U. S., Vol. 28. Cited hereafter as Lansdowne Papers.

from £226,000,000 to £525,000,000.[1] According to the Board of Trade, British exports to all of South America averaged slightly over £19,000,000 a year from 1895-1899, rising to almost £40,000,000 by 1906. On the other hand, the British were already encountering stiff competition from both Germany and the United States. The same Board of Trade report showed German exports to the South American market rising from an average value in 1895-1899 of over £8,000,000 to £19,357,000 in 1906. The United States during the same years showed a rise from about £7,000,000 to £15,572,000.[2]

While Great Britain maintained her lead over her two major rivals in South America, the United States was already predominant in the Caribbean and Central America. The following figures show the value of British exports to the eleven independent nations of the area in 1901:[3]

Cuba:	1,959,770	(in pounds)
Mexico:	1,673,079	
Colombia:	936,784	
Venezuela:	513,680	
Guatemala:	297,291	
San Salvador:	225,807	

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[1]G. D. H. Cole, British Trade and Industry, Past and Future (London, 1932), pp. 100-114.

[2]Great Britain, Parliamentary Papers, "Exports to China and South America," 1906 (131) cx; 1907 (351) lxxxi.

[3]Great Britain, Parliamentary Papers, "Annual Statement of Trade of the United Kingdom with Foreign Countries and British Possessions," Cd. 2626 (1905) lxxx.

Haiti and Santo Domingo:	216,437
Costa Rica:	158,880
Nicaragua:	114,568
Honduras:	57,919

The following are the American export values for the same eleven countries in 1901:[1]

Cuba:	25,964,801	(in dollars)
Mexico:	36,475,350	
Colombia:	3,142,052	
Venezuela:	3,271,877	
Guatemala:	1,424,814	
San Salvador:	738,722	
Haiti:	3,424,662	
Santo Domingo:	1,799,685	
Costa Rica:	1,946,726	
Nicaragua:	1,482,194	
Honduras:	1,115,009	

A special report of the Board of Trade in 1913 estimated that the average total import trade for the previous five years into the six small Central American republics, Colombia and Venezuela was about £12,000,000 a year, with the United Kingdom's share about one-fourth of the total. The comparative percentages for the three major rivals in these eight states were given as:[2]

	Central America	Colombia and Venezuela
United Kingdom:	21.7%	32.4%
United States:	49.2%	27.5%
Germany:	13.4%	17.4%

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[1]United States, Department of Commerce and Labor, Statistical Abstract of the United States, 1911 (Washington, 1912), pp. 364-80.

[2]Great Britain, Parliamentary Papers, "Reports to the Board of Trade on the Conditions and Prospects of British Trade in Central America, Colombia and Venezuela," Cd. (1913) lxviii 421.

Thus the pattern of British commercial interests in Latin America that emerges is one of expanding trade with Britain maintaining her position as chief exporter, but one of stiff German and American competition, with the United States having already forged ahead in Central America, Mexico, and the island republics of the Caribbean. The comparative importance of the area dominated by the United States was not high compared to the more lucrative markets of the southern nations of South America, but the trend was a disturbing portent for the future. Any signs of a closing of the Latin American "open door" would be viewed with alarm by worried British exporters.

By 1900 British overseas investments had probably passed the £2,000,000,000 mark and would approximately double by the outbreak of the war. These figures show Great Britain maintaining a substantial lead over her nearest rivals for the role of the world money market. The Western hemisphere played a major part in the British investment pattern, the United States, Canada, and Latin America taking over half of the 1914 total, a figure far in excess of British investments in continental Europe.[1]

Most of the British capital that flowed into Latin America went to Argentina, Brazil, Uruguay, Peru, Chile, and

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[1]Cole, op. cit., pp. 109-10. See also Herbert Feis, Europe the World's Banker (New Haven, 1930), pp. 3-32.

Mexico. Although the beginnings of British investments in Latin America date from the early 1820's, the capital flow was irregular. The decade of the 1880's was one of the periods of heavy investments, with a rise from almost £180,000,000 to over £425,000,000 in 1890. Almost 45% of this 1890 investment was in government securities, British investors holding government bonds at the time in every Latin American country except Peru and Bolivia. For the Caribbean area, J. Fred Rippy gives the following figures for the end of 1890:[1]

	Total nominal investment	Government securities (in pounds)
Mexico:	59,883,577	20,650,000
Cuba:	26,808,000	24,412,000
Venezuela:	9,846,219	2,668,850
Colombia:	5,399,383	1,913,500
Costa Rica:	5,140,840	2,000,000
Honduras:	3,888,250	3,222,000
Santo Domingo:	1,418,300	714,300
Guatemala:	922,700	922,700
Nicaragua:	411,183	285,000
San Salvador:	294,000	294,000

During the 1890's the rise was more moderate. The total investment figure for 1900 was about £540,000,000, a little more than $228,000,000 of this in government or government-backed securities. However, by the turn of the century British investors were on the verge of another splurge in the Latin American market, with the total to

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[1] J. Fred Rippy, British Investments in Latin America, 1822-1949 (Minneapolis, 1959), pp. 25, 36-41.

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reach nearly one billion pounds by 1913.[1]

In investments as in the field of trade, the United States--although still a large debtor to British investors--was beginning to provide serious competition in some areas of Latin America. In both Cuba and Mexico, American investments pulled ahead of the British. In 1902 Americans had invested half a billion dollars in Mexico; by 1910 the total was over one billion. In Cuba American investments climbed from an estimated $50,000,000 at the time of the Spanish-American War to more than $200,000,000 in 1911.[2] American investments in the other nations of the Caribbean and Central America seem to have been rather small in 1900,[3] and, despite the American commercial lead there, they were still behind the British. But American investment activity would intensify in the area in the coming decades, and it was inevitable that "dollar diplomacy" would create a degree of friction.

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[1] Ibid., p. 45.

[2] J. Fred Rippy, The Caribbean Danger Zone (New York, 1940), p. 224; Alfred P. Tischendorf, Great Britain and Mexico in the Era of Porfirio Diaz (Durham, N. C., 1961), pp. 139, 142; Dana G. Munro, Intervention and Dollar Diplomacy in the Caribbean, 1900-1921 (Princeton, 1964), pp. 16-17.

[3] Munro, op. cit., p. 16. Rippy estimates that there was probably not much over a hundred million dollars invested by Americans in the whole Caribbean region in 1900. This figure excludes Mexico but includes Cuba. Rippy, The Caribbean Danger Zone, p. 224.

According to the Economist in 1892, "South American investments have for half a century been a thorn in the flesh of the British investors, and it is, perhaps, because we have become so accustomed to the infliction that the country has, time after time, shown its readiness to increase the sore."[1] But in spite of their undoubted eagerness to increase the sore, British investors could never reconcile themselves to the pain of the frequent defaults on Latin American external debts. A high percentage of British investment capital went into government securities, and the history of debt defaults in Latin America was a long one, punctuated by fraud, chicanery, heavy losses for the unwary, refunding arrangements, and fresh defaults.

For example, in 1880 ten Latin American countries were in default on over £71,000,000 of the total £123,000,000 invested in Latin American bonds.[2] The situation improved during the next decade, but the problem remained a chronic one. The annual report of the Council of Foreign Bondholders

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[1]The Economist, August 20, 1892, quoted in Feis, op. cit., pp. 20-21. According to Rippy, in general British investments in the countries of northern Latin America were not particularly profitable. For example, Mexican investments were the most unremunerative of all the major Latin American countries, and profits from Central America and the island republics of the Caribbean were among the lowest in all of Latin America. Rippy, British Investments in Latin America, pp. 97-98, 105-112.

[2]Rippy, British Investments in Latin America, pp. 31-32.

for 1901-1902 listed seven Latin American nations in default --Argentina, Colombia, Costa Rica, Guatemala, Honduras, Santo Domingo, and Venezuela--for securities totaling £36,948,075 principal with interest in arrears of £15,723,433.[1] As six of the seven were in the area of prime American diplomatic interest, it is obvious that the question of debt settlements would loom large in Anglo-American relations in Latin America.

In light of the increasingly aggressive commercial and financial competition faced by Great Britain in the world, it is hardly surprising to find that the Foreign Office was the object of more and more criticism and agitation by businessmen and investors who desired more official aid in meeting this competition. By the end of the nineteenth century a Commercial Department had been established within the Foreign Office, British representatives had instructions to report on commercial matters, and there was a degree of cooperation with the Board of Trade. In the words of Ross Hoffman, the "new business world was fashioning a new diplomacy, and the haute politique tradition of Whitehall was going down."[2]

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[1]Annual Report of the Council of the Corporation of Foreign Bondholders for the Year 1901-1902 (London, 1902), p. 456. Cited hereafter as Annual Report.

[2]Ross J. S. Hoffman, Great Britain and the German Trade Rivalry 1875-1914 (Philadelphia, 1933), pp. 51-62.

But many still felt that the Foreign Office remained too aloof and indifferent to the promotion of trade. And what of British trade to Latin America where the British policy of deference to the United States was essentially one of haute politique? Even during a period of booming exports around the world, the Foreign Office could not escape criticism. For example in 1910 the South American Journal minced no words in comparing the American government's efforts to assist their commercial interests in Latin America with those of the British government "which so persistently and so fatuously refuses to render any assistance to her manufacturers of a material character, manifesting, indeed, an indifference productive of the most unsatisfactory commercial results."[1]

The Foreign Office was generally unsympathetic towards the complaints of the holders of Latin American securities. The British government's attitude towards foreign investments was traditionally "laissez-faire" and the Foreign Office was usually reluctant to intervene in debt defaults in Latin America, feeling that the highly speculative nature of such loans precluded strong governmental support. As one Under Secretary of State put it in 1901: "High interest means bad security and it has been the policy of this

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[1]The South American Journal, September 3, 1910, pp. 267-68.

country for a very long time past not to encourage British investors to put their money into these Foreign Loans which offer such tempting inducements never or hardly ever realized."[1]

But this was a matter of policy with the British government, not the result of any belief that diplomatic intervention or even force could not be used in such cases. In the words of Lord Palmerston's famous "doctrine" of the mid 19th century, it was simply "a question of discretion" whether the British government would intervene diplomatically in support of the bondholders, and "the decision of that question of discretion turns entirely upon British and domestic considerations."[2] Could that policy be changed? By the turn of the century the Council of Foreign Bondholders, the "quasi-official" British bondholders' protective association, was trying its best.[3] The days were long past when

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[1]Memorandum by Francis Bertie, November 29, 1901. Great Britain, Public Record Office, Foreign Office papers, F. O. 15/344.

[2]On the British government's policy regarding overseas investments see Feis, op. cit., pp. 83-117, and Edwin Borchard, The Diplomatic Protection of Citizens Abroad (New York, 1916), pp. 314-15.

[3]The Council of Foreign Bondholders was founded in 1868 and was the first of the national organizations dedicated to the protection of bondholders' interests. By the act of incorporation of 1898 the Council consisted of 21 members and usually acted through associated bondholders' committees that were chosen at appropriate times for

the Council expected little in the way of outright government aid.

For example, there was nothing modest in the "few suggestions as to certain steps which might be taken in order to put pressure on the defaulting Governments" that the Council of Foreign Bondholders sent Lansdowne in 1901. The suggestions ranged all the way from immediate formal protests to the suspension of diplomatic relations and "concerted action" with other countries affected.[1] To Lansdowne, some of the suggestions were "of a kind which H. M. G. could not possibly assent & I shall have to be careful in framing my reply to avoid language w^h^ might create the impression that such measures were regarded by me as likely to be

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particular countries. The similar French and Belgian associations were founded in 1898. Prior to World War I, the protection of German bondholders was handled by the issuing bankers. "The Foreign Bondholders Protective Association" in the United States was a result of the depression in 1933. See Edwin Borchard and William H. Wynne, State Insolvency and Foreign Bondholders (New Haven, 1951), I, 192-216; Feis, op. cit., pp. 113-17; and the Council's Annual Reports.

[1]C. of F. B. to Lansdowne, November 26, 1901. F. O. 15/344. The Council also suggested that the Foreign Office 1) warn the public against investing in defaulting countries, 2) refuse to extend diplomatic courtesies to the representatives of such countries, 3) send commissions to report on the financial administration of countries where there were misappropriations of funds and "palpably dishonest excuses" used to avoid payments, 4) in cases where a government had deprived the bondholders of a security of an export duty on a certain commodity, to consider the possibility of collecting the duty on the importation of the commodity into Britain.

accepted." But the problem of pressure from such an influential source remained, and the Foreign Secretary was also careful to "avoid saying anything which might seem to make light of their grievances."[1] Nor was the Foreign Office completely immune to the pleas of the bondholders. In 1901 and 1902 the record shows that the government did help or attempt to help the bondholders in one way or another in Venezuela, Guatemala, Honduras, Costa Rica, and Santo Domingo. The line between "official" and "unofficial" aid was always nebulous.

Bondholders' claims of course only made up one category of claims that often complicated British-Latin American relations. The arbitrary actions of dictators, legislators, and government troops and the vagaries of Latin American justice resulted in the inevitable controversies over outrages on British subjects, violations of contracts and the seizure or confiscation of British property. Like other "civilized" nations, Great Britain always reserved the right of diplomatic intervention in such cases, with the ultimate threat of use of force never ruled out. "Gunboat diplomacy" and periodic calls by men-of-war "to show the flag" were traditional procedures in Latin American waters.

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[1]Lansdowne's minute on the C. of F. B.'s of November 26, 1901. See also Bertie's memorandum of November 29th. F. O. 15/344.

If force was deemed necessary, there were many precedents that the British statesmen could use by the twentieth century. For example, in 1842 and 1844 the British blockaded the port of San Juan de Nicaragua; Britain joined France in intervention against Argentina in the 1840's by a blockade of the Rio de la Plata; in 1851 the entire coast of El Salvador was blockaded and an embargo laid on traffic into the port of La Union; in 1862 and 1863 the British navy seized Brazilian ships in Brazilian waters in reprisal for the plundering of a British vessel; in 1861 Britain for a brief time joined France and Spain against Mexico for the payment of claims; in 1887 Britain sent an ultimatum to Venezuela and threatened a blockade over the seizure of two British ships; and, as late as 1895, the very year that saw the beginning of the Venezuelan boundary crisis with the United States, Britain seized the customs house at Corinto in Nicaragua and exacted compensation for outrages on British subjects. This traditional use of naval power would be yet another area of British activity that would obviously be affected by the spread of American power in the Caribbean and by the widening interpretations of the Monroe Doctrine.

Thus, even a brief glance at the pattern and extent of British interests in Latin America reveals certain areas of possible friction that would make the policy of friendship

and concessions to the United States a difficult one to carry out in all respects. If the new "understanding" between the two countries had been reached by 1902, it is by no means clear that the British policy makers had as yet fully realized the implications of the "entente" in relation to specific British interests in the Caribbean. The fact that the old problems of claims, bond defaults, and gunboat diplomacy would have to be settled in a new environment was brought into focus for the first time by the Venezuelan blockade of 1902-1903, and it is with this imbroglio that our story must properly begin.

CHAPTER II

EUROPEAN COOPERATION IN LATIN AMERICA, 1901-1903

I. The Coercion of Guatemala and the Decision to Use Force against Venezuela

Great Britain's role in the European coercions of Guatemala and Venezuela in 1902 and 1903 poses an intriguing problem. At the very time that Great Britain was supposedly recognizing American hegemony in Latin America, the Foreign Office was deeply involved in two multilateral European interventions in the heart of the American "sphere of influence." One passed almost unnoticed while the other caused an uproar on both sides of the Atlantic, but both episodes indicate that British policy during these years was still in a state of flux. Despite the shift towards a new relationship with the United States, traditional attitudes and habits regarding the defense of British interests in the area still persisted within the Foreign Office. Thus the European intervention in Venezuela not only led to a wider American conception of the Monroe Doctrine, but it also brought home for the first time to the British some of the implications inherent in their new policy of deference

to the United States in Latin America.

Few would deny that the British decision to join Germany in the Venezuelan adventure was a diplomatic blunder. In light of the reaction it caused in both the United States and at home, it is obvious that the British statesmen seriously misjudged--or ignored--the trend of public opinion in both countries, thereby placing in jeopardy the newly developing policy of Anglo-American friendship and at the same time contributing to the fateful estrangement of Britain and Germany. Thus the most fascinating question that arises immediately from the entire episode is why it started at all.

One possible explanation is that the Balfour government, diverted by more pressing problems, did not realize the full implications of such a seemingly minor operation. According to Lord Hamilton the Cabinet only accepted Lansdowne's Venezuelan policy because it was preoccupied with the Education Bill and that Lansdowne "was for once caught napping."[1] Arthur Balfour did not succeed Lord Salisbury as Prime Minister until July of 1902, and the Cabinet did not debate the question of cooperation with Germany until October when the plans were already well underway. But

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[1]Hamilton to Curzon, December 19 and 24, 1902; George Monger, The End of Isolation, British Foreign Policy, 1900-1907 (London, 1963), pp. 105-106.

whatever merit this explanation may have regarding the Prime Minister and the Cabinet, it does nothing to explain the position of the Foreign Secretary and the Foreign Office, for the records show clearly that the matter was thoroughly discussed and aired for over a year. Whatever errors in judgement the Foreign Office made, the Venezuelan adventure was certainly not the result of precipitate and hasty action.

A more cogent explanation is that the British policy makers were thinking of the joint intervention in a wider context than mere Anglo-American friendship. That is not to say that this aspect of the affair was forgotten, for there is no question that both Balfour and Lansdowne were ardent advocates of good relations with the United States. However, the British position towards Germany had not yet hardened. It is true that by the end of 1901 the possibility of an Anglo-German alliance had largely disappeared, and anti-German feeling was on the rise both in the Cabinet and in the Foreign Office. But Lansdowne deplored the new Germanophobia and while he no longer favored a general German alliance the prospect of some limited cooperation with Germany in the interests of better relations was by no means undesirable to the Foreign Secretary.[1] If this could be

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[1]Monger believes that Lansdowne's replacement of Salisbury as Foreign Secretary "marked the triumph of the pro-German section of the Cabinet." Pro-German sentiment

done in the New World without antagonizing the United States, the benefits would be obvious.

However there is another aspect to the problem that played an even more crucial part in the British decision. Generalizations about a British "withdrawal" from the Western hemisphere during these years are valid only as a broad description of a general tendency in British policy, and can be very misleading if thought of as a coherent and consciously accepted policy applied to all specific instances. Habitual responses to problems play a larger part in diplomacy than the systematic historian often indicates, and it is not surprising to find the British statesmen of 1901-1902 reacting to Latin American difficulties in the old time-honored way.[1] There were still considerable interests in Latin America to be protected, and, if the need to cater to

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began to decline in the Cabinet after the winter of 1900-1901. One of Lansdowne's objections to a general alliance with Germany was the risk of becoming entangled in a policy hostile to the United States. Ibid., pp. 21-45, 63-66. For the growth of anti-German feeling in the Foreign Office, see Ibid., pp. 99-103.

[1]For an interpretation of the Venezuelan intervention stressing the traditional aspects of the affair, see D. C. M. Platt, "The Allied Coercion of Venezuela, 1902-3--A Reassessment," Inter-American Economic Affairs, XV (Spring, 1962), 3-28. Platt argues that the coercion, "though superficially glamourized by the power and reputation of the Allies," was "no more than a further example of a species common throughout the nineteenth century--i.e. the legitimate coercion of a State, following its persistent and uncompromising denial of the rights of aliens as guaranteed by international law."

American sensibilities was a novel element in the equation, the British were still thinking in terms of the traditional methods of force and gunboat diplomacy to achieve those ends if such were deemed necessary.

While Lansdowne played an active part in the formulation of Latin American policy, the foremost proponent of the policy of intervention during those years was Francis Villiers, the Assistant Under Secretary of State in charge of the American Department of the Foreign Office from 1896 to 1906. Although Villiers seemingly had little influence in general policy determination, he more than any other individual shaped the specific British policy vis-à-vis the defaulting and recalcitrant Latin American states in 1901-1902. While aware of the need to consider American feelings in the area, Villiers became an advocate of a multilateral approach as the best means of applying pressure to such states.

Nor was the Venezuelan intervention the first such attempt. The policy of joint European action against a Latin American state was actually used with partial success against Guatemala during the very months in which the Venezuelan crisis was developing. Thus the coercion of Guatemala, an incident little known and inconsequential in itself, takes on greater significance in that it allows us to place the Venezuelan affair in better context. The ease with which

coercion worked in Guatemala, and the absence of any American reaction, makes the Venezuelan decision more comprehensible.

The European decision to apply pressure to the Guatemalan government of dictator Manuel Estrada Cabrera resulted from a typical case of debt default. From the point of view of foreign investors, the history of the external debt of Guatemala was one of the more deplorable in Central America. It began with a British loan to the Central American Federation in 1825. When the federation dissolved in 1827 Guatemala assumed 5/12ths, or £68,000 of the original 6% loan, but the debt immediately went into default until 1856, when the loan and interest arrears were converted into a new 5% loan of £100,000.

Despite this record, new Guatemalan loans of £11,000 and $500,000 were raised in London in 1863 and 1869, but by 1876 all were in default. In the following years there were a number of consolidations and refunding arrangements with various forms of security. In 1895 the external and internal debts of Guatemala were consolidated into a new 4% debt of £1,600,000, the new bonds to be secured by a special coffee export tax. President Estrada Cabrera soon violated the terms of the new arrangement by lowering the tax which had been fixed "irrevocably" for ten years by the contract, and

then using the proceeds for other purposes. By the end of 1899 the debt was again in default on a principal of £1,482,800, and by mid-1901 the unpaid interest had raised the sum to £1,631,080.[1] The Council of Foreign Bondholders estimated that £1,057,000 of the bonds were in British hands.[2]

In January of 1901 the Council of Foreign Bondholders turned to the Foreign Office for support, requesting that the British minister in Guatemala join the German and Belgian representatives there in vigorously pressing the claims of the bondholders.[3] Lansdowne and Villiers decided to sound out the German Government as to their views on joint action, and in March Ambassador Lascelles reported from Berlin that Germany was ready to support British representations. Germany also suggested that France and Italy be invited to join, and on March 23rd the Foreign Office extended the invitation to Paris, Rome, and Brussels. The replies were all favorable, with Belgium suggesting that postal charges owed by Guatemala be added.[4] The sum was

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[1]Corporation of Foreign Bondholders, Annual Report, 1900-1901, pp. 179-84.

[2]Fremantle to Villiers, June 27, 1901. F. O. 15/344.

[3]C. of F. B. to F. O., January 21, 1901. F. O. 15/344.

[4]Lansdowne to Lascelles, February 4, 1901; Lascelles to Lansdowne, March 5, 1901; for the Belgian reply see

small, but Villiers welcomed the addition: "I am all in favour of bringing as much general pressure as possible upon these C. American rogues. We do not often get a chance."[1]

On September 4, 1901, the joint European pressure began when the representatives in Guatemala sent identic notes calling the attention of President Estrada Cabrera "to the urgent necessity of taking without any further delay, measures for fulfilling its obligations towards the Foreign Bondholders." Britain, France, and Belgium sent similar notes regarding the postal arrears. And the British minister, Ralph S. Paget, on his own initiative and following the lead of the French and German representatives, further widened the scope of the British action by another note reminding Guatemala of outstanding British claims. Paget believed that the die was cast. He warned the Foreign Office that Estrada Cabrera might prove stubborn over the foreign debt and that he might turn to the United States for support.

> Should this be the case I cannot see that, after perhaps a second and still more vigorous attempt at diplomatic pressure, backed up by threats, there remains any solution but the adoption of coercive measures or abandoning all further attempt at making

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despatch of April 14th; for Italy, April 22nd; for France, July 17th. Claims against Guatemala for the International Customs Bureau were also added. F. O. 15/344.

[1]Villiers' minute on Phipps to Lansdowne, April 14, 1901. F. O. 15/344.

> this country comply with its obligations. It is of course outside my province to discuss in its larger aspects the desirability of coercive measures or whether the interests at stake are of sufficient importance to warrant them but I feel bound to submit to Your Lordship that with respect to Guatemala and all the Central American Republics the effect of the failure of our joint diplomatic representations unless followed by stronger measures, would be nothing short of deplorable.[1]

The immediate results of the joint notes were encouraging. The Guatemalan President was reported as "much perturbed" by the European action. The postal arrears were paid, and Estrada Cabrera ordered the Guatemalan minister in Europe, Dr. Fernando Cruz, to negotiate on the external debt with the Council of Foreign Bondholders. These seemingly successful talks led to a suspension of the diplomatic pressure, and a definite reply to the European notes was postponed until the convening of the Guatemalan Congress in March of 1902. But the Foreign Office bluntly warned Cruz that "anything like indefinite postponement of a settlement would have the most disastrous effect."[2]

The ad referendum agreement signed on March 26, 1902, by Cruz and the Council of Foreign Bondholders provided for the payment of the interest arrears with new bonds and a re-

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[1]Paget to Lansdowne, September 4, 1901. F. O. 15/344.

[2]Foreign Office to Cruz, January 21, 1902. F. O. 15/352. See also Lansdowne to Paget, November 12, 1901. F. O. 15/344.

duction of the interest rate on the entire debt, now to be secured by all the customs revenue of the nation. From the bondholders' point of view the vital condition of the arrangement was an article requiring the Guatemalan government to notify "the Governments of the Countries interested" that Guatemala accepted the arrangement "as constituting a binding engagement," and the bonds were to be endorsed by a memorandum "that one or more of such Governments take note thereof."[1] Although this was an obvious attempt by the Council to impart a quasi-diplomatic character to the external debt, and the acceptance of such notification was not a usual procedure of the Foreign Office, Lansdowne agreed with Villiers' suggestion that Britain accept if the other powers did. As Villiers argued: "I do not see that any financial obligation is necessarily incurred & on the other hand it is of real importance that the joint action--the first of the kind in C. or S. America--should be maintained & lead to a successful result."[2]

The joint pressure had seemingly worked for the bondholders, but the question of individual claims against Guatemala by foreigners still remained. The representatives

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[1]C. of F. B., Annual Report for 1901-1902, pp. 176-78.

[2]Villiers' memorandum of March 28, 1902. F. O. 15/352.

in Guatemala were anxious to strike while the iron was still hot. Paget was certain that "we can push them through if Lord Lansdowne means 'unfortunate results' to apply to them as well as to the bondholders question."[1] Once again Villiers agreed, continuing to emphasize his theme that "European Powers have never before acted together in C. America & it would be unfortunate if the first attempt shd prove a failure."[2] Lansdowne had no objections and on March 10, 1902, Britain, France, Germany, and Belgium sent identic notes asking for payment of their claims without further delay.

When Estrada Cabrera stalled and did not answer the notes, Paget now recommended the necessity of "a distinct threat." According to the British minister the German and French representatives were advocating coercive measures to their governments, and Paget was certain that Estrada Cabrera would give way before more united pressure. Once again Lansdowne was "ready to accept Mr. Paget's view," and, on April 1st, at Villiers' suggestion, he asked for the views of the other powers and told them that Britain was ready to consider suggestions from the representatives in Guatemala for

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[1]Paget to Lansdowne, February 8, 1902; Paget to Larcom, private, February 11, 1902. F. O. 15/352.

[2]Villiers' memorandum of February 28, 1902. F. O. 15/352.

further joint action.[1]

The replies to the British notes showed little reluctance on the part of the continental powers to carry the joint pressure beyond the use of diplomatic notes. The Germans were "quite disposed to join in Anglo-French coercive measures against Guatemala as far as they are actually able to do so there." The Italians were ready to display their flag in a naval demonstration if necessary. The French were also ready to participate in a naval demonstration. Only the Belgian reply was weak. In fact, the British, who were still at the point of merely considering recommendations, were slightly embarrassed by the vigor of the replies. As Lansdowne noted: "It may come to a demonstration, but we have hardly arrived at that stage yet."[2]

The Foreign Office was spared the necessity of any decision on the use of force when the Guatemalan President gave way under the pressure in early April. On the 13th Paget telegraphed that Estrada Cabrera had made a satisfactory offer on the claims, and asked that HMS Grafton, due

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[1]Paget to Lansdowne, March 28, 1902; Villiers memorandum of March 28, 1902; Lansdowne to Villiers, March 30, 1902. F. O. 15/352.

[2]Lascelles to Lansdowne, April 6, 1902; Phipps to Lansdowne, April 6, 1902; Monson to Lansdowne, April 7, 1902; Currie to Lansdowne, April 3, 1902. See Villiers' and Lansdowne's minutes to Phipps of April 6th. F. O. 15/352.

to arrive at San José the following day on a cruise, be allowed to remain a few days if necessary. As the German cruiser Vineta was expected at Puerto Barrios about the same time, Paget believed that the "mere presence of our ship of war on the Pacific side and German ship of war on Atlantic Coast should enable us to obtain full settlement." The Foreign Office notified the four cooperating powers of the satisfactory offer, and instructed Admiral Bickford aboard the Grafton to confer with Paget. On April 17th Paget reported that Estrada Cabrera had recognized all of the British claims that the British minister thought "just".[1]

Although the home governments had never reached the point of deciding on specific measures of coercion, the detailed accounts of the incident that arrived in London by mail the following month showed that the threats of force used by the representatives in Guatemala were strong and more specific than had actually been authorized. According to Paget the failure of Guatemala to make a definite reply to the claims notes forced him and the German and French ministers to the conclusion "that it was absolutely necessary to put a stop to any more shuffling," especially in view of the imminent arrivals of the British and German cruisers. The three drew up a joint note on the 9th and

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[1]Paget to Lansdowne, April 13 and April 17, 1902. F. O. 15/352.

and presented it personally to Estrada Cabrera, along with a promemoria "warning him that an evasive answer to our note would surely entail grievous consequences." It was this action that caused the President to send a satisfactory reply and made it unnecessary for Paget "to suggest that the other Powers should be directly invited to take part in a naval demonstration."

As suspected, however, the Guatemalans continued to stall in spite of more warnings. One of the reasons for this was the sailing of the German warship on the 15th, the day after its arrival, presumably due to a misunderstanding of its orders or the fact that none arrived in time. The German minister had requested that the Vineta remain and "was terribly cut up about it." It was this hitch in the joint action that seemingly gave Estrada Cabrera the courage to continue his stalling although Paget told him that Berlin and London were in perfect accord on the claims enforcement and that the Vineta would undoubtedly return in a few days.

Finally on April 16th Paget threatened the Guatemalan Minister for Foreign Affairs "that I would give him one hour to go and see the President and obtain answers respecting our claims and at the end of that time I would return with Admiral Bickford and, if necessary, get replies from the President in the Admiral's presence." When the

minister claimed he was unable to see the President, Paget and Bickford went to Estrada Cabrera as promised, discussed each claim singly and in all but one case got his recognition of them.[1]

What Paget did not tell the Foreign Office in his reports was that Admiral Bickford and he had threatened to seize the customs houses. According to the admiral's account to the Admiralty, before leaving San José for Guatemala City, he had ordered the captain of the Grafton to prepare landing parties for the occupation of the custom houses of San José and Champerico. After conferring with Paget the two decided to tell the Guatemalan Foreign Minister that if a favorable answer was not forthcoming, Bickford would "land and occupy certain custom houses till the claims were satisfied." It was this threat repeated to the President on the 16th that brought about his final capitulation. According to Bickford, he and Estrada Cabrera parted on good terms a few days later: "A special carriage was placed at my disposal on leaving, and a General and other Officers were sent half way to San José to see me off, and the Prefects of Departments with Guards and Bands etc met me at the various

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[1]Paget to Lansdowne, despatch of 17 April, 1902. (Received May 9th). Paget to Villiers, private, April 18, 1902. F. O. 15/352.

stations."[1] Estrada Cabrera had clearly had a "severe fright," and in a private letter to Villiers, Paget hoped that Lansdowne would not think he had acted with "an excess of energy."[2] There is nothing in the records to indicate that either Villiers or Lansdowne objected to Paget's "excess."

The entire incident had been a successful application of routine gunboat diplomacy. The stakes had been small--Paget reported that all of the foreign claims were finally settled for between £40,000 and £45,000--but the desired multilateral approach had succeeded.[3] Germany, France and Italy had expressed their willingness to cooperate with Britain to the extent of a naval demonstration, and, although it had not reached that stage, the threats made by Paget and Bickford had led to a general settlement of the European claims.

But what of the United States and the Monroe Doctrine? Were any precautions taken in this potentially

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[1]Bickford to Admiralty, April 19, 1902. (Received F. O. May 17th). F. O. 15/352.

[2]Paget to Villiers, private, April 18, 1902. F. O. 15/352.

[3]Paget to Lansdowne, June 10, 1902. F. O. 15/352. For a list of the claims paid as published in Diario de Centro America, July 22, 1902, see United States, Department of State, Papers Relating to the Foreign Relations of the United States, 1902 (Washington, 1903), p. 580. Cited hereafter as Foreign Relations.

dangerous area? There is no evidence in the Foreign Office records that the British made any overtures to the United States on the subject. The American representative in Guatemala, Mr. Hunter, did report to Secretary of State John Hay in February of 1902 that a joint note had been sent the previous September regarding the external debt, but that the representatives "of the powers on this continent were neither asked to join in the note, nor were they consulted regarding it." Hunter was not even able to get any information regarding the joint note from the European ministers, and the copies of some of the notes and replies that he sent to Washington were given to him by President Estrada Cabrera.[1]

Judging from his instructions to Hunter, the Secretary of State was interested in the situation but not alarmed, and he merely told Hunter to keep him informed. Hay saw nothing in the joint note that called for any action or comment from the United States, "inasmuch as it is within the right of the creditor nations to require payment of debts due to their nationals."[2] The European Foreign Offices did

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[1]Hunter to Hay, February 26, 1902, U. S., Foreign Relations, 1902, pp. 569-77.

[2]Hay to Hunter, March 22, 1902. U. S., Foreign Relations, 1902, p. 578. Alvey A. Adee, the perennial Second Assistant Secretary of State, was sufficiently aroused to write to Judge W. L. Penfield, the Department's Solicitor, that Hunter's reports were "an important correspondence, in view of our traditional jealousy of any concerted action of

not know of this exchange of notes over Guatemala at the time, but President Theodore Roosevelt had already told the world in his first annual message to Congress in December of 1901 that the Monroe Doctrine was "in no wise intended as hostile to any nation in the Old World." The United States did "not guarantee any state against punishment if it misconducts itself, provided that punishment does not take the form of the acquisition of territory by any non-American Power."[1]

While the Foreign Office showed no inclination to invite the United States to cooperate in the joint pressure on Guatemala, the Council of Foreign Bondholders was interested in getting as much aid as possible. During the negotiations between the Council and Dr. Cruz in the winter of 1901-1902, there was talk of unifying the external and internal debts of Guatemala in the proposed settlement. Although the Council was usually opposed to such consolidations, they accepted the idea in hopes of interesting the

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European powers to coerce an American State into payment of its debts." Penfield was obviously unimpressed, for he was the one who drafted the March 22nd reply to Hunter. See Adee to Penfield, March 13, 1902. National Archives, Records of the Department of State, Despatches from United States Ministers to Central America, vol. 46, Guatemala and Honduras. Cited hereafter as State Department Despatches.

[1]Dexter Perkins, The Monroe Doctrine, 1867-1907 (Baltimore, 1937), p. 322.

American government in the arrangement. As the Council explained it:

> It was believed that the cooperation of the U. S. Government would help forward the object in view more than anything else but it was felt that it would be difficult to appeal to them for assistance if the scheme was confined to the External Debt in which American citizens are not interested. If however the Internal Debt were included there was good reason to hope that the U. S. Government would be disposed to intervene in view of the large amount of internal obligations held by citizens of that country.[1]

However Guatemala refused to accept the unification and the proposed arrangement signed in March of 1902 was restricted to the external debt.

As in the case of Venezuela, it was the German government rather than the British that sounded out the feelings of the United States. On April 3rd, the German ambassador at Washington told the State Department that the Council of Foreign Bondholders was seeking a new arrangement and asked whether the United States would join Germany and Great Britain in acknowledging the agreement in order to ensure that Guatemala adhered to it. Again Hay betrayed little interest in the affair. While the United States was "indisposed to join in any collective act which might bear the aspect of coercive pressure upon Guatemala," the Secretary of State merely reserved for Americans equal benefits

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[1]C. of F. B. memorandum on Guatemalan debt, February 27, 1902. F. O. 15/352.

with those which might be attained by other creditors in any adjustment of the foreign debt.[1]

The State Department was seemingly unaware of the events of April 1902 regarding the other claims. In reply to Hay's request for information on the foreign debt in July, the American Chargé, James Bailey, reported that Guatemala had recently paid a number of foreign claims.

> Very reliable information discloses the fact that collective pressure was resorted to by the respective diplomatic representatives here of England, France, Germany, and Belgium in order to bring about the payment of said claims. It appears that they as a body notified this Government that if arrangements were not made to satisfy their respective creditors on a specific date a man-of-war would take possession of each of the principle ports of the Republic of Guatemala.[2]

Even though Bailey's "very reliable" informant exaggerated the scope of the joint action, there were no repercussions from Washington over the incident. The lack of any American response must certainly have played a part in convincing the British that the American administration meant what they had said about the Monroe Doctrine and foreign coercion, and that the way was open for more multilateral European pressure against the states of Latin America.

By the fall of 1902 Great Britain and Germany were already coordinating their plans for Venezuela, but the

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[1]U. S., Foreign Relations, 1902, pp. 426-27, 578.

[2]Hay to Bailey, July 3, 1902; Bailey to Hay, July 24, 1902. Ibid., p. 579.

matter of the still unsettled external debt of Guatemala was not forgotten. When the Guatemalan Congress modified the March agreement and deleted the notification article, the Council of Foreign Bondholders insisted that notification remain "part and parcel" of the contract and asked the Foreign Office to insist upon its retention. Once again to "maintain joint action," Villiers contacted the four cooperating powers, and on November 11th another collective note was sent to Guatemala telling Estrada Cabrera that the reinsertion of the notification article "is the only solution which would put an end to the pending negotiations."[1] However the Guatemalan President had already reverted to his familiar stalling tactics, and in September he had sent another negotiator, Cristano Medina, to bargain with the Council of Foreign Bondholders. Nothing but vague promises resulted from the Medina talks, but they did succeed in once again relieving the European pressure. As it happened this was all that Estrada Cabrera needed, for the issue now went into abeyance, drowned out by the clamor resulting from the Venezuelan crisis.

Rumors and talk of possible European intervention in Venezuela in 1901 came as no surprise to those familiar with

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[1]C. of F. B. to F. O., July 24, 1902; Lansdowne to Trayner, September 8, 1902; Trayner to Lansdowne, November 20, 1902, F. O. 15/352.

the situation in that unhappy republic. President Cipriano Castro, who seized power in 1899, was one in a long line of dictators that had ruled the unstable country. Plagued by civil war and plotting rivals, Castro was partially unwilling and partially unable to follow the usual canons of international law in his dealings with the foreign powers. In addition to the usual financial defaults, Castro managed to compile a rather impressive list of foreign grievances by his treatment of foreign nationals and their property, and, even more than Estrada Cabrera, the Venezuelan made his country a prime candidate for European intervention.

When reports of possible European intervention reached the Foreign Office in the summer and fall of 1901, British complaints against Venezuela had already reached the point that such rumors were received with definite interest. Some of these problems pre-dated the Castro regime in origin, and many of them centered around the antipathy between Venezuela and the Government of Trinidad. In 1882 Venezuela had levied a 30% surtax on goods entering the country from Trinidad and other West Indian islands, a tax that the British government considered a violation of the most-favored-nation clause of the British-Venezuelan commercial treaty of 1825. One of the results of the tax was a very lucrative smuggling trade, and, when Castro requested

Trinidad to prevent the exportation of arms that might fall into the hands of his rivals, neither the Governor of Trinidad nor the Colonial Office were in any mood to take any extraordinary measures to aid his regime.

The problem of smuggling goods into Venezuela and Castro's charges that British subjects were giving aid to Venezuelan revolutionaries led to a number of British shipping claims that were to play a large part in subsequent events. Beginning in January of 1901, Venezuela seized some small British owned vessels in Venezuelan waters and at Patos island, and British nationals were also involved in the seizures of some Venezuelan owned ships.[1] The value of the ships seized or destroyed by the Venezuelan gunboats was small, and in some cases Castro's charges that they were engaged in smuggling and aiding his rivals were seemingly true, but the Venezuelan President not only refused to consider the complaints but he also revived an old Venezuelan claim to Patos, thus injecting a small territorial dispute into the mutual recriminations.

Once again the issue in itself was rather insignificant. A small island three miles off the coast of Venezuela and five miles from the nearest British island, Patos was

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[1]For details on the ship seizures, see Larcom's memorandum of July 20, 1902. F. O. 420/206.

uninhabited at the time. Its ownership was contested for the first time by the Venezuelans in 1859, and during the 1880's they had suggested arbitration. The Governor of Trinidad at that time believed that the island had no strategic importance, and there was some sentiment in London in favor of ceding it to Venezuela as a bargaining factor in the mainland boundary dispute then raging between the two nations. However, nothing came of this, and, when the British refused arbitration in 1887 on the grounds that British sovereignty there was not open to question, the issue died out until revived in 1901 as the Venezuelan counter to British charges that her gunboats had violated British territorial waters by their operations at Patos.[1] With the general ill-will between Castro and Trinidad as a background, British estimates of the worth of Patos now went up in 1901. Governor Maloney of Trinidad now professed to see great importance in its possession, as "it might fall by acquisition or otherwise into the hands of a foreign Power whose guns placed on that island would practically command the northern approaches to Trinidad, known as the Dragon's Mouth."[2]

In addition to the "specific outrages" of the ship

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[1]See A. H. Oakes's memorandum on Patos, May 23, 1901. F. O. 420/206.

[2]Moloney to Chamberlain, May 23, 1901. F. O. 420/206.

seizures, there were the inevitable claims from British subjects and companies that accumulated during the years of civil strife. The total claims from private individuals were small (about £2,000 in 1902), but some of the claims of the British controlled Venezuelan railroads were more sizeable. A number of these lines had claims totaling over £260,000 arising from government debts, interest on bonds, and for damage to property caused by government troops.[1] In January of 1901, Castro had attempted to close the door on diplomatic intervention on claims by creating a Venezuelan claims commission, but Britain and other foreign powers, unwilling to accept Venezuelan justice as the last word, reserved their rights to intervene. In any event, the claimants who used the claims commission were unable to get any payments, and by 1902 there were little prospects of any settlements by Venezuela.[2]

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[1]See Larcom's memorandum of July 20, 1902. F. O. 420/206. For an analysis of the different types of claims, see Platt, loc. cit., pp. 11-18. British railway investments in Venezuela started in the 1870's, and at their peak around 1890 reached slightly more than £4,100,000. See Rippy, British Investments in Latin America, pp. 116-17.

[2]Foreign Office to Colonial Office, January 16, 1902. According to the British minister at Caracas, the Venezuelan refusal to treat foreign claims diplomatically was based on the "preposterous" theory that, despite treaty rights and international law, "foreigners can have in Venezuela no rights save those of natives, and they practically deny the right of foreign Governments to raise a voice even to protect their own subjects who, once they arrive in

Castro's Venezuela was also one of the Latin American states in default in 1901 on its external debt, and, as in Guatemala, the history of that debt was far from reassuring for foreign bondholders. The Venezuelan debt originated in 1834 when the debt of the "Republic of Colombia" was apportioned among New Grenada, Ecuador and Venezuela, the latter accepting 28-1/2% of the debt or £2,794,826. Venezuela immediately defaulted, and the usual pattern of new arrangements and new defaults followed. However, British investors were never known for their caution in Latin America, and two new loans totaling £2,500,000 were floated in London in the 1860's. In 1881 following fresh defaults the earlier loans were converted into a "New Consolidated Debt" of £2,750,000.

In 1896 a new loan was raised by the Venezuelan government in order to settle claims arising from earlier railroad guarantees on investment returns that had been made by the government to foreign financiers. This loan of 1896 was contracted by the Disconto Gesellschaft of Berlin, which had financed the "Great Venezuelan Railway Company" construction.

Although some of the bonds of the external debt of

Venezuela, must take the consequences of their presence here." Haggard to Lansdowne, February 19, 1902. F. O. 80/443.

1881 were held in Belgium and Holland, most of them were in the hands of British investors, while the bulk of the 1896 bonds were held in Germany. Thus the British Council of Foreign Bondholders and the German Disconto Gessellschaft had common interests and common cause for alarm when after partial payments both debts went into complete default after August of 1901. As of August 15, 1902, the total principal and interest arrears in default by Venezuela was £5,262,077, £2,974,570 on the debt of 1881 and £2,287,507 on that of 1896.[1]

In addition to the external debt, Germany also had a sizeable number of claims for personal injuries and property damage, and reports from Caracas in 1901 of possible German intervention whetted British interest for the first time. According to William Haggard, the British Minister at Caracas, Herr von Pilgrim Baltazzi, the German Chargé d' affaires, was attempting to organize a concert of the powers to exert pressure on the Castro regime. Haggard believed that all the foreign representatives were favorable "to the idea of joint pressure," but he evaded Pilgrim Baltazzi's suggestion that he take the initiative on the grounds that British claims were "insignificant."[2] In September, both

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[1]C. of F. B., Annual Report for 1901-1902, pp. 439-44; C. of F. B. to F. O., September 23, 1902. F. O. 420/206.

[2]Haggard to Lansdowne, July 26, 1901. F. O. 30/435.

the German and Dutch Chargés asked the British Minister to join them in telling their governments that foreign intervention was necessary. According to Haggard, the two envisioned "something of a permanent administrative nature which will go far beyond the occupation of one or more Customs Houses," some intervention "as has taken place in Egypt." Again Haggard evaded the request:

> I replied that, speaking purely academically, I did not consider that there was sufficient similarity between the interests of Great Britain here and those which she used to have in Egypt . . . and that under any circumstances, we could not blink the fact that no such action could possibly be taken by any Power or Powers without the concurrence or at least previous consultation with and agreement of the United States.[1]

The Foreign Office approved Haggard's answer, for London had no desire for a Venezuelan condominium and they rightly suspected that Pilgrim Baltazzi's views were

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[1]Haggard to Lansdowne, September 21, 1901. F. O. 80/427. In July Pilgrim Baltazzi told Haggard that he had also sounded out the American Chargé "and had found him very well disposed personally." But in September, Pilgrim Baltazzi and Chargé von Leyden admitted that they had not spoken with the new American minister, Herbert Bowen, who had arrived in Venezuela in August. When the two showed "an evident reluctance" to take Bowen into their confidence, Haggard "repeated and emphasized" his views on consultation with the United States.

Although Haggard told the German and Dutch representatives that he did not "feel at liberty" to suggest such an intervention, he did tell the Foreign Office in October that his own "impression" was "that both foreign and native interests could be saved by the administration for a prolonged period of the Customs Houses by one or more of the foreign Powers." Haggard to Lansdowne, October 5, 1901. F. O. 80/427.

"somewhat in advance" of his government's. But Haggard had also expressed the opinion that Germany would probably act alone to settle her claims if necessary, and he reported plans for a number of German ships to gather in Venezuelan waters, presumably for a naval demonstration. "Without being an alarmist," he wrote, "it is difficult to suppose that a Power which has never before--as far as I am aware--had more than a ship at a time here, can be collecting a fleet--for it is nothing else--without some object."[1] Although Haggard had evaded the question of joint action in his talks in July with Pilgrim Baltazzi and was apprehensive about the United States, he did point out to the Foreign Office in August that if there were "no difficulties and jealousies" and "if all or some of the Powers interested" could come to some agreement as to common action, it would seem that this might offer a favourable opportunity for us to settle once and for all" the claims and the other issues with Castro.[2]

The Foreign Office was sufficiently interested in Haggard's reports to instruct Ambassador Lascelles at Berlin to sound out the German government's intentions. On October 25, 1901, Lascelles told Baron von Richthofen that Haggard

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[1]Haggard to Lansdowne, September 6, 1901. F. O. 80/427. See also Haggard's of September 15th. F. O. 80/435.

[2]Haggard to Lansdowne, August 21, 1901. F. O. 80/435.

had reported to Lansdowne "some conversations" with Pilgrim Baltazzi, and "read to Baron von Richthofen passages from Mr. Haggard's despatches." The German was evasive. Germany did want to settle their claims, "but they had not as yet decided on the action they might take in case they failed to do so." Richthofen understood that an Egyptian style intervention "would be difficult to carry out in Venezuela, and that if such were contemplated it would be necessary to obtain the concurrence of the United States' Government."

> For the moment, however, the German Government had no intention of taking any definite action. The fact of another German ship being sent to Venezuelan waters where German interests were now being represented by one small naval vessel, could not be considered as a naval demonstration and he hoped that a settlement of the claims might be obtained by ordinary diplomatic methods.[1]

However, there were signs once again in December that German coercion of Venezuela was imminent. On December 17th Richthofen told the British Chargé, George Buchanan, that Germany was going to present her claims to Venezuela "en bloc." When Buchanan asked him if Germany was prepared to enforce a settlement, Richthofen admitted that "strong measures" against Venezuela were "not improbable," and added that Germany had "no reason to fear that any steps which they might take to obtain satisfaction" would "give umbrage"

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[1]Lascelles to Lansdowne, October 25, 1901. F. O. 64/1522.

to the United States. Germany had already approached the American government, and Richthofen believed that this was the reason for Roosevelt's statement to Congress on the Monroe Doctrine in his annual message earlier in the month.[1]

One of the disputed questions of the Anglo-German coercion of Venezuela is which country first approached the other regarding the possibility of cooperation. The British government has been portrayed both as a dupe of the Germans and as the instigator and "aggressor" in the whole affair.[2]

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[1]Buchanan to Lansdowne, December 17, 1901. F. O. 80/435. Germany had told the United States that some coercion of Venezuela might be necessary, mentioning a possible blockade and even temporary occupation of the customs houses, but pledging that "under no circumstances do we consider in our proceedings the acquisition or the permanent occupation of Venezuelan territory." In reply Hay cited Roosevelt's statement to Congress. See U. S., Foreign Relations, 1901, pp. 192-95.

[2]At the time of the intervention, most Americans assumed that Britain had been led into the affair by the Germans. As Roosevelt later wrote to Whitelaw Reid: "The English, again with their usual stupidity, permitted themselves to be roped in as an appendage to Germany in the blockade of Venezuela." Letter of June 27, 1906, quoted in Howard Beale, Theodore Roosevelt and the Rise of America to World Power (Baltimore, 1956), p. 411. At the time of World War I, William R. Thayer, obsessed by the "German menace" hinted darkly that by "offers which cannot yet be made public, Germany persuaded the Tory Government to draw closer to her." William Thayer, The Life and Letters of John Hay (New York, 1915), II, 285.

Under the spell of the German documents published after the war, historians now began to view England as the leader. For example, Howard Hill came to the conclusion that Britain was "the leader in coercive measures against Venezuela, at least in the early phases of the controversy," and her tone was "sternness rather than conciliation." Pringle wrote that "England, as the documents clearly show,

The truth seems to lie somewhere between the two extremes. The Germans first conceived of the idea of coercion, and as we have seen the suggestion of joint European action was already raised by Pilgrim Baltazzi as early as the summer of 1901. But Pilgrim Baltazzi's suggestions seem to have been his own rather than those of his government, and there was no invitation from Berlin until the summer of 1902. By then the British had made enough inquiries regarding German intentions to convince Berlin that cooperation was feasible.

The charge that Britain instigated the joint action arises from a reported conversation between Baron von Eckardstein, the German Chargé in London, and Villiers in January of 1902. According to Eckardstein, Villiers told him on January 2nd that it was possible that Britain would propose common action as soon as the situation in Venezuela became

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was the aggressor." Howard Beale was more cautious in his statement that joint intervention "was probably first proposed by Britain rather than Germany," but he had no hesitation in concluding that Britain "was more uncompromising than Germany." Howard C. Hill, Roosevelt and the Caribbean (Chicago, 1927), p. 110; Henry F. Pringle, Theodore Roosevelt (New York, 1931), p. 285; Beale, op. cit., p. 397.

Use of the Foreign Office papers has produced a better balance in the works of Charles Campbell, Jr. and D. C. M. Platt. However Platt's statement that early in 1902 Britain was only an "interested observer" is misleading. By failing to cite the talks with the Germans in October and December by Lascelles and Buchanan, and by ignoring Eckardstein's reported talk with Villiers, Platt does not show how "interested" the Foreign Office actually was. Platt, loc. cit., pp. 5-6.

clearer.[1] There is no record of such a conversation in the Foreign Office papers, but it is certainly not improbable, in light of Villiers' enthusiasm for the multilateral approach to Latin American "rogues," that some such statement was made.

Then too the Foreign Office had additional reasons for considering joint action in January for it was in that month that the first appeal for aid came from the British bondholders. Spurred on by press reports of the intended German action, the Council of Foreign Bondholders on January 3rd urged the Foreign Office to consider the plight of the British holders of the loan of 1881, an "older obligation" than the German one of 1896. If the Germans got satisfaction while the British bondholders' claims were left unsettled, "it could not fail to react injuriously on all similar British loans to foreign Governments."

> The Council would therefore ask Lord Lansdowne to consider whether, in the event of action being taken now or at a later period by the German Government to obtain payment on behalf of German bondholders, His Majesty's Government could not take steps to secure equal recognition for the claims of the holders of Venezuelan Bonds in this country.[2]

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[1] Die Grosse Politik der Europaischen Kabinette, 1871-1914 (Berlin, 1922-1927), XVII, footnote p. 242. Cited hereafter as Die Grosse Politik.

[2] C. of F. B. to F. O., January 3, 1902. F. O. 80/443. The Council did not specifically ask for joint action with Germany, but with the two countries already cooperating

On receipt of the Council's letter, Villiers noted that he expected a similar appeal from the British owned Venezuelan railways.

There is no question that Lansdowne and Villiers were thinking in terms of possible cooperation with Germany in January of 1902, but, on the other hand, it is also clear that they did not consider that any invitation had been made to Berlin. The Foreign Office still was uncertain of Germany's intentions and wanted more information. On January 14th, Lansdowne instructed Lascelles to "ascertain whether any arrangement has been concluded" between Germany and Venezuela, "as seems possible from the apparent suspension of any measures of compulsion." If no agreement had been reached, Lascelles once again was to find out "what steps" the Germans contemplated.[1]

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in Guatemala it seems safe to conclude that the possibility was considered. The interest on the English debt was included by Haggard in his list of British claims that he sent to the Foreign Office on December 13, 1901, "in the event of your thinking it worth considering whether, if the Germans enforce their claims, we can do anything to benefit therefrom in any way." Haggard to Lansdowne, December 13, 1901. F. O. 80/435.

On the other hand, the role of the bondholders should not be over-emphasized, for subsequent events showed that the external debt was definitely secondary to the other grievances. For example, Larcom's memorandum of July 20, 1902, on the existing causes of complaints did not list the Venezuelan default. F. O. 420/206.

[1]Lansdowne to Lascelles, January 14, 1902. F. O. 80/443. After the unpopular blockade was over, the inevitable question came up in Parliament regarding the origin

After preparing the way with the United States the previous December, why did the Germans fail to follow up

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of the proposal for Anglo-German cooperation. After studying the January 14th despatch, Lansdowne asked for the earlier papers. Villiers sent them with the following explanation: "Mr. Haggard's despatches were sent to Berlin in order to obtain information of what the Germans intended to do. There is no trace of H. M. G. having made any suggestion that we should cooperate. On the contrary, Mr. Haggard . . . was approved for his language in declining to suggest intervention." Thus the Foreign Secretary told Parliament that the "first definite proposal for cooperation" came from Germany on July 23rd. If Villiers did make a proposal to the Germans on January 2nd, and if Lansdowne knew about the conversation, they obviously didn't think of it as "definite." See Mr. Norman's question of February 19, 1903, and Villiers note to Lansdowne of February 19th in F. O. 80/482.

On the other hand, the Germans were rightly irritated at having to bear the brunt of the press attacks in Britain and the United States. During the critical days of February 1903 Metternich warned Bulow that it would be very dangerous for Lansdowne's government if there was "any public discussion of the question who first suggested joint action," and the Chancellor agreed that it must be avoided and there were to be "no retrospective justifications." Thus the German statesmen obviously thought they were being loyal to Lansdowne by not airing the subject. Metternich to Bulow, private, February 4, 1903. German Diplomatic Documents, 1871-1914, ed. Edgar T. S. Dugdale (4 vols.; London, 1928-31), III, 164-65. Cited hereafter as German Diplomatic Documents. See also footnote on p. 288 of Die Grosse Politik.

In actual fact, according to Charlemagne Tower, the American Ambassador in Berlin, the Kaiser on January 27th had already tried to shift the odium unto Lansdowne. The Kaiser told Tower that "the expedition was planned in England before Germany knew anything about it," and that Lansdowne had issued the invitation to him on his last visit to England. The coming coercion was discussed during the Kaiser's visit in November of 1902 (see Die Grosse Politik, p. 252), but his statement was absurd as the plans were already well advanced by then. Tower's report is quoted by J. Fred Rippy, Latin America in World Politics (New York, 1931), p. 190.

their plans? Why did they not approach the British at this point? Even if Villiers' statement to Eckhardstein was not a formal offer, it must have been obvious to the Germans that the Foreign Office was not adverse to the idea of some possible cooperation. On January 20th, Prince von Bulow, the German Chancellor, did want to approach the British, pointing out to the Kaiser that the British government "has recently indicated that under certain conditions it might consider joint action against Venezuela," but the Kaiser was not ready to move. He thought that the British position was "too vague," and feared that an intervention at that time would jeopardize the success of Prince Henry's coming good will visit to the United States.[1]

The Foreign Office of course was unaware of this. The request of January 14th for information on the German intentions went unanswered, and it soon became clear that the Germans did not intend to use force at the time. Haggard reported that a number of German warships did gather at the port of La Guayra in February, but that the "naval demonstration" was a failure. In the Foreign Office's opinion the Venezuelan reply to the German presentation of claims was discourteous and the German reply weak.[2] Pilgrim

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[1]Bulow to the Kaiser, January 20, 1902. German Diplomatic Documents, p. 161, and Die Grosse Politik, pp. 241-43.

[2]Haggard to Lansdowne, February 9, February 17, February 20, 1902. F. O. 80/443.

Baltazzi either knew or suspected the reason for the German delay, but he expressed to Haggard "his astonishment--not to say his disgust--at the action of his Government in, as he put it, leading him on to the very point of action and then letting him drop."[1] At Haggard's suggestion the Foreign Office decided merely to follow the German lead in presenting their claims formally. The Americans and the Dutch also presented their claims, but no one received any satisfaction.

Meanwhile the already bad relations between Great Britain and Castro continued to deteriorate. With the question of joint action with Germany in abeyance, the worsening situation now forced the British to consider acting alone against Venezuela. In January of 1902 another British owned and registered ship was seized in Venezuelan waters. More pleas from British corporations for protection of their interests were coming in to the Foreign Office.[2] Particularly

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[1]Haggard to Lansdowne, April 4, 1902. F. O. 80/443. In February Pilgrim Baltazzi mentioned Prince Henry's visit to the U. S. as a possible explanation of the delay. Larcom found that explanation "not convincing." See Haggard's despatch of 17 February and Larcom's minute. F. O. 80/443. Villiers later stated his belief that the delay had been due to the influence of German merchants who were afraid that their interests would suffer if coercive measures were taken against Castro. See Villiers' minute to Haggard's despatch of August 17, 1902. F. O. 80/444.

[2]From December 1901 to March 1902 the Foreign Office received appeals from: LaGuayra and Caracas Railway Co. Lmt.,

galling too were the reported activities of the Venezuelan consul at Trinidad who was hindering the despatch of British vessels to Venezuela, collecting improper fees and charges, and charging customs duties in advance of sailing. Haggard's complaints went unanswered, and when his German colleague made a similar complaint the Venezuelan government replied that they were aware of the consul's misconduct but he was kept at Trinidad because he was offensive to Great Britain.[1]

Any attempts at negotiations between Britain and Venezuela reached a complete impasse in the spring of 1902 over the confusing career of the steamship Ban Righ. The Ban Righ left London under British registry in 1901, supposedly for service with the government of Colombia. But after taking on arms and ammunition at Antwerp, she sailed to the French island of Martinique in December where she was further outfitted. The ship was turned over to the Colombian government, but she also took on board a revolutionary Venezuelan general. Castro proclaimed the Ban Righ a pirate, and in the next few months there were confusing reports that the ship was engaged in a marauding expedition against

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Venezuelan Central Railway Co. Lmt., Bolivar Railway Co. Lmt., LaGuayra Harbour Corporation Lmt., Venezuelan Telephone and Electrical Appliances Co. Lmt., and the Atlas Trust, Lmt.

[1]Haggard to Lansdowne, July 11, 1902. F. O. 420/206.

Venezuela, apparently using different names and flying both the Colombian and British flags. On the 23rd of March she arrived in need of repairs at Trinidad, with Venezuelan gunboats in hot pursuit.[1]

Castro charged that Great Britain was responsible for her entire career since leaving London, and he refused to accept the British explanation that they were not responsible for the misuse of their flag. According to the British, there had been no reason to detain the ship at London. The Colombian minister there had stated the Ban Righ was destined for Colombian use, and there was no state of war between Colombia and Venezuela. It was ostensibly because of the Ban Righ that Castro now refused to discuss any of the disputes between Britain and his country. He was further exasperated by the British decision to give the Ban Righ refuge in Trinidad. The British allowed her to refit, and proceed to Colombian waters on the assurances of the Colombian government that she was a public ship and would not be used for further irregular hostilities. According to Haggard, Castro was "absolutely beside himself with impotent and baffled rage."[2]

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[1]See Foreign Office memorandum on the Ban Righ of May 19, 1902. F. O. 420/206.

[2]Haggard to Lansdowne, April 1, 1902. F. O. 420/206.

The first suggestion for a specific reprisal against Venezuela came from Governor Maloney of Trinidad over the news that a Venezuelan gunboat had destroyed another British vessel, the In Time, in the Venezuelan harbor of Pedernales in May of 1902. Maloney was in favor of seizing a Venezuelan gunboat in retaliation and closing all British ports to Castro's warships.[1] However, the Foreign Office's legal advisers did not believe that the evidence was strong enough as yet to justify reprisals, and the mild decision was made merely to warn Venezuela that British ports might be closed unless they could disprove the reports of the destruction of the In Time. The warning was fruitless and the diplomatic deadlock continued.[2] By the end of June Haggard reported that since February a total of seventeen notes on a variety of subjects to the Venezuelans were both unanswered and unacknowledged. In his own words, his position at Caracas had become "somewhat absurd and almost useless."[3]

Oddly enough it was the French rather than either

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[1]Maloney to Chamberlain, May 12, 1902. Sent to the F. O. on June 11th. F. O. 420/206.

[2]Lansdowne to Haggard, July 11, 1902, and minutes. F. O. 80/443; Foreign Office to Colonial Office, July 1, 1902; and C. O. to F. O., July 8, 1902. F. O. 420/206. For the Venezuelan answer, see Haggard to Lansdowne, July 17, 1902. F. O. 420/206.

[3]Haggard to Lansdowne, June 30, 1902. F. O. 420/206.

the British or the Germans who first turned to the use of force in the summer of 1902. According to Haggard's accounts of the incident, it began when seven French merchants were imprisoned in a dispute over the payment of customs at the port of Carupano. A French cruiser, the Suchet, was sent from Martinique to demand their immediate release. When the local authorities refused, the French captain trained his guns on a Venezuelan gunboat in port, refused to allow it to get underway, and repeated his demand. The authorities capitulated, released the French prisoners, and gave a public apology to the French Consular Agent who had been insulted and intimidated during an earlier incident. The French minister at Caracas refused to accept a Venezuelan protest, and, in reply to a "violent complaint" by the Venezuelan Foreign Minister "over the presence of foreign warships here and a query as to what they were doing, replied, 'I do not know what the others are doing but Your Excellency will observe that the French Ship came here to do something.'"[1]

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[1]Haggard to Lansdowne, June 27, 1902. F. O. 80/443. Bowen did attempt to arouse the State Department over the Suchet incident but with little success. The American ambassador believed that the insult to the French consular officer called for satisfaction, but that the action of the Commanding Officer of the Suchet in detaining the Venezuelan gunboat before the Venezuelan government had refused satisfaction was "irregular and reprehensible." The State Department agreed "although regarding the incident closed so

It was, in Haggard's view, a "salutary lesson" for Castro, and when the news arrived in London in July of yet another seizure of a British ship, the point had been reached for serious consideration of an equally salutary British lesson. In the new case of the Queen, a Venezuelan gunboat had intercepted the British vessel on the high seas enroute from Grenada to Trinidad and had confiscated her on suspicion of gun-running. When as usual there was no reply to Haggard's protests, the legal advisers in the Foreign Office were convinced that the time had come for reprisals. According to William E. Davidson:

> This is really going a little too far.
> I think we must seriously consider whether we ought not to seize a Venezuelan gunboat pending an explanation & ample apology from the Venezuelan Government.
> The French--in a case comparatively mild though sufficiently serious in itself--employed drastic measures with good effect--and we are in some danger of carrying the forbearance of a great power towards a petty State-let unduly far, if we suffer this gladly.

His assistant Cecil J. B. Hurst agreed:

> It appears to be just what was lacking before, clear proof of an outrage that justifies, and, coupled with the other outrages, requires reprisals.

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far as we are concerned. Should the case be reopened, or a similar one arise in future, your Legation may exert its discreet and friendly influence to bring about diplomatic adjustment before resort is had to force in the nature of reprisals." Adee to Bowen, August 21, 1902. National Archives, Records of the Department of State, Diplomatic Instructions, Venezuela, vol. 5. Cited hereafter as State Department Instructions.

Villiers ordered his Chief Clerk in the American Department, Arthur Larcom, to prepare a memorandum listing the various causes of complaint. In Lansdowne's words: "We clearly cannot let this pass."[1]

Thus the British government, by mid-July of 1902, was on the verge of unilateral retaliation against Castro, but within a few days after the Larcom memorandum was finished the Germans revived the question of cooperation. On July 23rd, just one week after the news of the seizure of the Queen reached London, the German ambassador, Count Metternich, told Lansdowne that the German Government believed that "the time was approaching when it would be necessary for the Powers interested in Venezuela to put pressure on the Venezuelan Government."

> He observed that a new Ministry was about to be formed, and he thought the opportunity might be a good one for making it clear to them that some form of coercion would, if necessary, be applied. What did I think of a pacific blockade of the Venezuelan ports during the export season?
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> I told his Excellency that we should be quite ready to confer with the German Government with a view to joint action, but that I should like to consider his proposal further before expressing an opinion as to its opportuneness in present circumstances.[2]

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[1]Haggard to Lansdowne, despatch 132, June 30, 1902, (received F. O. July 16th); minutes of Davidson of July 17th and Hurst of July 18th; Villiers to Lansdowne of July 19th with Lansdowne's minute. F. O. 80/443.

[2]Lansdowne to Buchanan, July 23, 1902. F. O. 420/206.

Before "proceeding to extremities," Lansdowne decided to send a final protest to Venezuela. He told Haggard to warn Castro "in unmistakable terms" that, unless explicit assurances were given that the ship seizures would cease and compensation given for those in the past, Great Britain would "take such steps as may be necessary" to get reparations for them as well as for the railway claims and the losses caused by the Venezuelan consul at Trinidad. The Venezuelan reply was quite "uncompromising," citing the Ban Righ dispute, the unfriendly attitude of the government of Trinidad, and ignoring the British threat of action to enforce the claims.[1]

The Foreign Office now referred the matter to the Admiralty, informing them of Metternich's proposal and asking for their opinion as to the best means of applying pressure on the Venezuelans. On August 14th the Admiralty gave the green light in pronouncing the feasibility of a blockade as long as it was postponed until November when the "unhealthy season" was over. As for joint action with Germany, a blockade was considered to be the best method. Five days later Lansdowne told Metternich of the Admiralty's opinion,

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[1]Lansdowne to Villiers, n.d., with Larcom memorandum of July 20, 1902. F. O. 80/443; Lansdowne to Haggard, July 29, 1902. F. O. 420/206. Haggard to Lansdowne, August 5, 1902, and minutes. F. O. 80/444; See also Haggard to Lansdowne, August 1, 1902. F. O. 420/206.

and it was agreed between us that the British and German Governments should be prepared to send ships at the time proposed, and I promised His Excellency that I would keep him fully informed as to our action."[1]

Metternich's only specific suggestion on July 23rd for the type of coercion had been a blockade, but it was inevitable that other traditional means of force would be considered. One such tactic of course was seizure of the Venezuelan custom houses, but, although it was discussed, it never seems to have been seriously considered as feasible. During an earlier quarrel over the seizure of British ships in 1887, the British government had discussed taking the customs houses of La Guayra and Puerto Cabello, but the idea had been rejected on the grounds that too many troops would be needed to capture the towns and that the climate was too hot and unhealthy for a prolonged occupation. Admiral Douglas, the Commander-in-Chief of the North American Squadron in 1902, agreed with his predecessor's arguments in favor of a blockade, and also submitted as an alternative the seizure of the Venezuelan gunboats.[2] These two tactics rather than

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[1]Foreign Office to Admiralty, August 8, 1902. F. O. 420/206; Admiralty to Foreign Office, August 14, 1902, and minutes. F. O. 80/444; Lansdowne to Lascelles, August 19, 1902. F. O. 420/206.

[2]Admiralty to Foreign Office, August 14 and October 10, 1902. F. O. 420/206.

an occupation of the customs houses were to be the ones around which the coming discussions centered.

On October 11, 1902, Villiers suggested that the matter be brought up before the Cabinet "before we become in any way committed with the Germans."[1] The Foreign Office sent the pertinent information and documents to Prime Minister Balfour, and a memorandum by Lansdowne on the subject was discussed by the Cabinet on October 21st. According to Lansdowne:

> Objections were raised to a belligerent blockade as likely to involve us in difficulties with other Powers, while a pacific blockade was regarded as probably insufficient. Of the other forms of coercion discussed in the memorandum the seizure of the Venezuelan gunboats was thought to be the best.
>
> We should tell the Admiralty that this step will probably be resorted to in the event of the Venezuelans remaining obdurate. . . .
>
> We should however, in the first instance, address a final warning to the Venezuelans, & I propose to inform the German Ambr that we are about to do so, & that if it is disregarded we are prepared to join with them in measures of coercion.
>
> I should add that the particular measure which we have in view is the seizure of the gun boats.[2]

Metternich was informed the following day, and while the exact means of coercion was yet to be decided, the British

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[1]Villiers to Lansdowne, October 11, 1902. F. O. 80/445.

[2]Lansdowne memorandum on the Cabinet meeting, October 21, 1902. Lansdowne memorandum discussed at the meeting is dated October 17th. See also Villiers' memorandum to Lansdowne of October 18th, and Lansdowne to Lascelles of October 22nd. F. O. 80/445.

decision for joint action had been made for no one expected anything but a negative answer to the second "final warning" to Castro.

One of the points brought up before the Cabinet of course was the attitude of the United States. In his memorandum presented to the Cabinet, Lansdowne assured them that they could "assume the acquiescence of the United States and I do not think we need do more than inform them when the time comes of our intention to act with Germany."[1] In light of subsequent events, certain pertinent questions arise at this point: On what was this optimistic assumption based? Why were the British so tardy in informing the American government of their intentions?

The first suggestion that the Foreign Office notify the United States of an intended action came from the Colonial Office over the problem of Patos Island. In order to assert British sovereignty over the island, a plan was devised to erect a flagstaff and settle two families there to act as ward officers. Chamberlain thought the idea was a good one, but he argued that "it should not be either initiated or upheld if it is thought likely to lead to difficulties with the United States of America," and he suggested that Lansdowne unofficially sound out the American government

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[1]Lansdowne's memorandum of October 17, 1902. F. O. 80/445.

on the subject.[1] However, the Foreign Secretary vetoed Chamberlain's proposal. The British claim to Patos was "no secret," Lansdowne argued, and there were no indications that the United States was interested in the question.

> Moreover, a communication in the sense suggested would appear to some extent to imply an admission that the British claim was not well founded, and that His Majesty's Government are ready to abide by such opinion as the United States Government might express. If the request for observations were thus understood and the United States Government were to hold that the British right to the island is not established, the position of His Majesty's Government would be somewhat seriously impaired.[2]

On August 16, 1902, the British flag was hoisted on Patos in spite of Venezuelan protests. The Patos question was never raised during the subsequent negotiations after the Anglo-German blockade. Thus ironically the one genuine territorial issue between Venezuela and the European powers was never a part of the general agitation over the Monroe Doctrine that ensued.

Although Lansdowne was not willing to approach the United States about Patos, the mere fact that it was discussed shows that the British were aware of the problem of

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[1]Haggard to Lansdowne, October 1, 1901; Maloney to Chamberlain, December 31, 1901; Colonial Office to Foreign Office, January 24, 1902. F. O. 420/206.

[2]Villiers to Colonial Office, March 4, 1902. See also G. E. P. Hertslet's memorandum on the United States and Patos Island, February 25, 1902, and Colonial Office to Foreign Office, March 14, 1902. F. O. 420/206.

American sensibilities. In his reports from Caracas, Haggard had often referred to the necessity of considering the American position when the talk of joint action came up in 1901. Why then was the Foreign Office not more apprehensive about coercing a Latin American state, particularly one whose cause the United States had championed against Britain only a few years before?

In the first place, the policy makers in the Foreign Office were thinking almost solely in terms of the reaction of the American administration rather than of public opinion. This was the traditional type of diplomacy that Lansdowne understood best. Although Roosevelt in actual fact was worried about a possible German threat to the Monroe Doctrine in Venezuela, the Foreign Office was convinced that neither the President nor Hay was unduly alarmed over European intervention.[1] The major reason for the British optimism undoubtedly stemmed from the many signs that seemed to indicate that the United States intended to play a passive role. Roosevelt's message to Congress in December of 1901, and the American reply to the German soundings in the same month, were

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[1]For evidence that Roosevelt was worried about the Germans, see Beale, op. cit., pp. 403-405, 416-17, "As far as England is concerned," Roosevelt wrote to Lodge on June 19, 1901, "I do not care whether she subscribes to the Monroe Doctrine or not because she is the one power with which a quarrel on that doctrine would be absolutely certain to result to our immediate advantage." Quoted by Beale, op. cit., p. 143.

of course the most soothing, but the lack of any American response to the joint pressure on Guatemala and the Suchet incident must have been reassuring as well.

It is true that there were some early indications that Herbert Bowen, the American minister at Caracas, might prove troublesome. For example, in November of 1901, in reference to a rumor that the French intended to use force to settle their claims, Bowen warned the French Chargé that "if you meddle in matters out here, you will have to count with Uncle Sam." And in the same month he professed to see in the simultaneous presence of German, Italian and Austrian warships at La Guayra "a menace on the part of the Triple Alliance against the Monroe Doctrine." But Bowen's reported views were erratic. The previous month he had told Haggard that any action by the United States "to interfere with Germany or any other Power in securing her just claims here would be simply to assist and encourage robbery." And in December he "startled his colleagues" in the diplomatic corps with a proposal for an international occupation of Caracas to prevent bloodshed in the event of Castro's overthrow.[1]

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[1]Haggard to Lansdowne, October 9, November 23, November 25, and December 23, 1901. F. O. 80/427. Bowen first mentioned his plan to use foreign troops to occupy Caracas to Haggard on November 23rd. The British minister answered in "a bantering manner" to avoid the subject. But

Oddly enough, in light of his role in subsequent events, Bowen may have actually encouraged the idea of European intervention. In September of 1901 Bowen read to Haggard an extract from the American minister's own book on international law in which he argued that the Monroe Doctrine did not contain a single word to justify the belief "that it was intended to relieve any American nation of its duty to meet all its obligations to European Powers, or to prevent such Powers from obtaining satisfaction from any wrong they may suffer or any injury they may sustain in their intercourse with the American peoples. . . ." At the Foreign Office Larcom found Bowen's views "interesting and unusual," and Villiers noted that Lord Pauncefote "has many times told me that the U. S. do not object to claims etc. being enforced. There was an attempt when we took Corinto [in Nicaragua in 1895] to agitate on Monroe principles but it was a complete failure."[1]

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when Bowen made his proposal on December 23rd to the diplomatic corps, Haggard argued against it.

[1]Haggard to Lansdowne, September 30, 1901, and minutes by Larcom and Villiers. Haggard showed the extract from Bowen's book (International Law, A Simple Statement of its Principles) to Pilgrim Baltazzi who found it "very interesting and important." "He asked me for a copy of it to send to his Government, as apparently this view of the Monroe Doctrine was new to him." F. O. 80/427. Bowen believed that a talk he had with Pilgrim Baltazzi about his book led to the German approach to Washington in December of 1901. See Herbert W. Bowen, Recollections Diplomatic and Undiplomatic (New York, 1926), pp. 254-55.

In 1902 Haggard's reports on Bowen became more and more disparaging and suspicious, but the belief was that the American was given to "vapouring" and that his ideas did not always reflect his country's policies. In any event they did nothing to discourage British assumptions as to the all-important attitude of Roosevelt and Hay in Washington. When Villiers approached Eckardstein in January of 1902, he was reported as being perfectly satisfied that the Roosevelt administration would not interfere with European claims enforcement as long as there was no permanent seizure of a sea-port or territory.[1]

The question of the United States came up once again in August of 1902, following the German approach for joint action. Lansdowne suggested to Metternich that perhaps the United States should be invited to take part in a naval demonstration. The Germans were willing but doubtful:

> The German Govt were quite agreed in principle to inviting the cooperation of the United States, the more so as they knew that the U. S. Govt approved of our proposed action. But the interests of the United States in the enforcement of the claims are comparatively so small that the German Govt doubt their taking any effective part in the proceeding--and they believe that this explains the passive attitude which the United States has hitherto maintained.
>
> The German Govt would be glad to learn as soon as possible in what manner we could propose to invite the cooperation of the United States, and what our plans are as to the effective action on the part of

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[1]C. S. Campbell, op. cit., p. 275.

the three Governments or of Great Britain and Germany, failing the United States.[1]

Lansdowne's suggestion was never carried out. When three days later he told the German ambassador of the Admiralty's opinion as to the feasibility of a blockade, Metternich mentioned that they were ready to invite American cooperation if the British thought it desirable. However, the British Foreign Secretary now "thought it would be sufficient if we were to give the United States Government notice of our intention without asking them to act with us in the matter. Such notice might, I thought, be given when the time drew nearer."[2] There are no indications in the documents as to why Lansdowne changed his mind in regards to his own suggestion. In any event, the idea of American cooperation was never revived by either side, and the two powers were content to concentrate on American acquiescence to the use of force.

Before taking the matter to the Cabinet in October, Lansdowne queried Villiers once again on the American attitude: "Am I right in believing that the U. S. have publicly announced that they do not intend to raise objections?" Villiers assured him that this was the case, referring to

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[1]Thomas H. Sanderson memorandum of August 16, 1902, and Lansdowne's minute. F. O. 80/444.

[2]Lansdowne to Lascelles, August 19, 1902. F. O. 420/206.

the exchange of notes the previous December between Holleben and Hay published in the State Department's Foreign Relations papers for 1901.[1] The Cabinet seemingly accepted Lansdowne's assurances regarding the United States, although the opposition to a belligerent blockade did reflect general misgivings over possible trouble with other powers. Thus the British position at this point was to press for the seizure of the Venezuelan gunboats and leave the question of a blockade for further consideration.

On November 8th, Villiers pointed out to Lansdowne that the Admiralty had suggested the end of that month for the proposed operations. "Time is running on, & I do not think we ought to delay any longer in sending the final warning to the Venezuelans."[2] Three days later the Foreign Office told Haggard to send Castro a "last" warning over his unsatisfactory answers and refusals to negotiate. On

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[1]Lansdowne also wanted to know what powers besides Germany were interested in the question and if Villiers knew anything of their probable attitude in the event of an Anglo-German blockade. Villiers knew of claims against Venezuela of the United States, France, Italy, Spain, Belgium, and Holland, but not the amounts. As for coercive measures, he had "no intimation" from any of the powers as to their attitude, but the "general tone" of their representatives at Caracas was one of dissatisfaction with the corruption and maladministration of Castro's government. This apparently satisfied Lansdowne. See Villiers' memorandum to Lansdowne, October 18, 1902. F. O. 80/445.

[2]Villiers to Lansdowne, November 8, 1902. F. O. 80/445.

the same day Ambassador Herbert in Washington was instructed to get an interview with Hay at an "early date" in order to brief him verbally and confidentially on the Venezuelan situation, pointing out that Britain was "compelled to consider what course it may be necessary to pursue in order to enforce their demands."[1]

That same evening Metternich told Lansdowne that Germany was ready to join them in a final warning, and in the ensuing discussion he made it clear that his government wanted a firmer commitment. The German ambassador admitted that there was a "sharp distinction" between the "first line" claims of the two countries, but that they ought "to stand or fall together, and we ought to exclude the possibility of a settlement between Venezuela and one of the two Powers without an equally satisfactory settlement in the case of the other."

> Each Government ought, therefore, to come to an understanding before it embarked upon a project of coercion that neither Government should be at liberty to recede except by mutual agreement; and before common action was initiated, we ought to come to a distinct agreement to this effect.

Lansdowne thought the request was "reasonable," but he wished to examine such questions as the suggested "pacific" blockade first.

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[1]Lansdowne to Haggard, November 11, 1902; Lansdowne to Herbert, November 11, 1902. F. O. 420/206.

> At any rate, as the German Government evidently desired that once embarked we should travel with them to the end of the voyage, it was reasonable that we should spare no pains to find out whether there were likely to be any obstacles in our course.[1]

One possible obstacle was officially removed by the encouraging answer from the United States. Hay's reply to Herbert's notification of impending action on November 13th expressed regret "that European Powers should use force against Central and South American countries," but the United States "could not object to their taking steps to obtain redress for injuries suffered by their subjects, provided that no acquisition of territory was contemplated."[2] On November 17th Lansdowne informed Count Bernstorff that Britain agreed that joint action should be carried through until both were satisfied. Mutual agreement as to the exact form of the claims to be submitted and the manner of coercion remained, but now the die was cast. The British had entered into what Lansdowne considered "a hard & fast engagement."[3]

Meanwhile there had been an addition to the British claims since July. On September 23rd the Council of Foreign

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[1]Lansdowne to Buchanan, November 11, 1902. F. O. 420/206.

[2]Herbert to Lansdowne, November 13, 1902. F. O. 420/206.

[3]Lansdowne to Buchanan, November 17, 1902. See also minute of Villiers of November 13th with Lansdowne's comments. F. O. 80/445.

Bondholders had again appealed for governmental assistance. The Council had it "on reliable authority" that Germany was disposed to joint action and were sure that it would have "a happy effect." Although the Council had asked for aid as early as January of 1902, the external debt had not been one of the demands of the British note in July that had led to the British decision to join Germany in the use of force when Castro refused to negotiate. But it was now decided to wipe the slate clean. "We shall have," Villiers wrote, "I think to include the loans arrears in the general settlement." But as always the Foreign Office was wary of too great a commitment to the Council, and they only replied that the matter would receive "careful consideration," as Villiers feared that more "definite language" might give rise to "incorrect & exaggerated reports."[1]

However the Council was quite busy with its own plans for some definite agreement. After "constant correspondence" with the Disconto Gesellschaft, the Council, on October 9th, sent the Foreign Office a "Bases of Arrangement" containing a provision in which the British and German governments were "to take formal note" of the new contract, and Venezuela was to "give a formal understanding" to the

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[1]Council of Foreign Bondholders to Foreign Office, September 23, 1902, and minutes. F. O. 80/476; F. O. to C. of F. B., October 6, 1902. F. O. 420/206.

two never to alienate the hypothecated revenues.

The Foreign Office balked at accepting such a Venezuelan pledge. In Villiers' opinion it went further "than what we agreed to in the case of Guatemala & might, probably wd in German eyes, involve an obligation to interfere if, as wd be most likely, the Venezuelan Govt failed to fulfill their 'formal understanding.'" In spite of objections from the Council the pledge was dropped from the proposed arrangement.[1]

The Germans thought that the proposals of the Council and the Disconto Gesellschaft were "just" and a suitable basis for the settlement of the external debts, and, now that the objectionable pledge had been dropped, the British were willing to include it in their claims by urging Venezuela to accept the arrangement. But when the Foreign Office

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[1] C. of F. B. to F. O., October 9, 1902, and Villiers' minute. F. O. 80/476; F. O. to C. of F. B., October 23, 1902. F. O. 420/206. Lord Avebury of the Council argued to no avail that they and the German bondholders "had no intention of suggesting any new departure, but we believed that we were strictly following the lines of the Guatemalan Arrangement." The notification article of the Venezuelan arrangement was "in slightly different and more extended language," but it did not commit the British government further than the other. Villiers believed this to be "quite misleading." The council knew "perfectly well that Ld Lansdowne did not consent to accept Art: VI of the Guatemalan Agreement without careful consideration, & it wd have been prudent, to put it mildly, to have submitted the Venezuelan draft before committing themselves with the Germans." See Avebury to Lansdowne, November 1, 1902; and Villiers' minute of November 5th. F. O. 80/476.

put the British claims into different categories, the bondholders' claims were put into a special third and lowest class.[1] Thus while the Foreign Office was willing to aid the bondholders, it is also quite clear that they were still unwilling to get too committed for future action regarding claims that in their opinion did not rank equally with those arising from injuries to persons and property or even with less speculative investments such as the Venezuelan railways.

After much discussion the two governments decided to exact immediate payment from Venezuela for their claims of the "first rank"--the shipping claims and claims for personal injury and illegal imprisonment for the British, and the German claims from the civil war of 1898-1900. The other classes were to be settled by a mixed British-German-Venezuelan commission. However, they thought it best not to distinguish between the classes of claims in their ultimatums and to demand a general admission of liability first. Therefore the British note sent in December demanded that the Venezuelans recognize in principle the justice of all "well-founded claims which have arisen in consequence of the late civil war and previous civil wars, and of the mal-

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[1]Minutes by Villiers and Lansdowne to C. of F. B. to F. O., November 8, 1902. F. O. 80/476; Bernsdorff memorandum of November 13th; Lansdowne to Buchanan, despatches 307 and 308 of November 17th, and 318 of November 26th. F. O. 420/206.

treatment or false imprisonment of British subjects, and also a settlement of the External Debt." Venezuela was to pay at once the shipping and maltreatment claims and accept the decisions of the proposed mixed commission as to the amount and security of the others.[1]

By the end of November Britain and Germany had also worked out a definite sequence of steps to be followed. Separate but simultaneous ultimatums were to be sent to Castro on December 7th. If there was no answer in 24 hours, the two ministers would leave Caracas for the port of La Guayra, telling the Venezuelan government that their interests were being left in the charge of the United States legation. If there was no answer in another 24 hours, they would inform the naval commanders who would then seize the Venezuelan gunboats.[2]

What measures would follow if this failed to bring results? As late as November 24th, in a memorandum for the Cabinet, Lansdowne stated that the "exact nature" of further

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[1]Lansdowne to Buchanan, November 11, 1902; Bernsdorff's memorandum of November 13th; Lansdowne to Buchanan, 307 of November 17th; 318 and 318A of November 26th; Lansdowne to Haggard, 50, December 2nd. F. O. 420/206.

[2]F. O. memorandum to Metternich, November 26, 1902; Villiers to Admiralty, November 28th; Lansdowne to Buchanan 329A of November 29th; Lansdowne to Haggard, 50, December 2, 1902. F. O. 420/206. Both Britain and Germany took the extra precaution of requesting the United States to take charge of their interests if the need arose.

measures was "still under consideration." But by the end of the month Lansdowne had decided on the much discussed blockade. "I cannot see why, if the seizure of the gunboats does no good, we should not go in for a blockade which we can enforce in whatever manner seems to us most convenient."[1] When Metternich told Lansdowne that Germany was opposed to any plan to take the customs houses both for practical reasons and for fear it might lead to difficulties with the United States, the Foreign Secretary replied that some "misapprehension must have arisen on this point," as he had "never regarded the seizure of the Customs-houses as an advisable form of coercion." And in a memorandum on ulterior measures to Metternich on December 2nd, the British also included possible trouble with the United States as one of the objections to the seizure of customs houses or any Venezuelan territory.[2]

The nature of the probable blockade however was still disputed at the time that the decision was made to seize the gunboats. The type of blockade desired by the Germans was one in which neutral ships would not be confiscated but either turned back or held during the period of

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[1]Lansdowne memorandum for use of the Cabinet, November 24, 1902; Lansdowne to Villiers, November 29th. F. O. 80/446.

[2]Landdowne to Buchanan, 318, November 26, 1902; Lansdowne to Metternich, December 2, 1902. F. O. 420/206.

the naval operations. The German preference for this type of "pacific" blockade stemmed from a desire to avoid getting the consent of the Bundesrath for their action, but despite German citations of past use of "pacific" blockades by the British and the French, the British adamantly refused. The Foreign Office admitted that their views in the past perhaps "were more fluid and elastic," but their policy now was that any interference with neutrals short of a blockade jure gentium was in violation of international law. Thus for the British the only form of blockade was a "belligerent" one, although the severity of it could be mitigated by any means the two powers wished.[1] As early as November 23rd Metternich told the British that Germany would use a "belligerent" one if necessary. And on December 6th Germany agreed to the British conditions for the blockade but still wanted to avoid calling it "belligerent."[2] The situation then on December 7th when the ultimatums to Venezuela were sent was that a full blockade of the Venezuelan coast would follow the seizure of the gunboats; the details of phraseology were to be worked out when necessary.

In spite of attempts at secrecy, the fact, if not the

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[1]See Foreign Office memorandum on blockades to Metternich of November 29, 1902. F. O. 420/206.

[2]Lansdowne to Buchanan, December 6, 1902. F. O. 420/206.

details, of the imminent Anglo-German action soon leaked out to the press and to the other European Foreign Offices. In November the French called the attention of the British and Germans to certain liens they had on the Venezuelan customs. As they did not see how the two countries "could get anything out of the Venezuelans unless we seized the customs houses," they were afraid that their rights would be prejudiced. Neither Lansdowne nor Metternich attached much importance to the "French hitch," and the French were assured that their rights would be respected. The French of course certainly had no objections to an Anglo-German chastisement of Castro. According to Delcassé, "the Venezuelans were an extremely troublesome people, as well to France as to the other European countries, and required firm, and indeed severe, handling."[1]

A more serious hitch came up in early December when the Italian government came forward with a proposal to join in the joint action. The Italians were self-invited--according to Foreign Minister Prinetti, he learned about the coming coercion in the press--and the British and German

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[1]Lansdowne to Monson, November 26, 1902; Cambon's memorandum of November 28th; Lansdowne to Buchanan, November 30th; Monson to Lansdowne, December 3rd. F. O. 420/206. Villiers minute of November 28th and memorandum of November 29th; Lansdowne to Villiers of November 29th. F. O. 80/446. Belgium also had a lien on the Venezuelan customs and was similarly reassured that her interests would not be prejudiced.

reactions were both unfavorable. When sounded out in Berlin on December 2nd, the German Undersecretary of State reportedly "threw cold water on the idea of Italian participation." According to Count Bernstorff, his government objected not only on practical grounds, but also for fear that the Italian claims were not as well-founded as the British and German ones, and that "the action of three Powers might create some feeling in the United States, more especially if the Venezuelans could appeal for sympathy on the ground that bad Italian, and therefore, perhaps bad British and German, claims were being forced upon them." The Foreign Office's immediate reaction was equally negative. When first approached by the Italian ambassador, Villiers "told him as little as possible," and emphasized the long preparations that had been necessary and the lack of time for any changes. Within the Foreign Office, Larcom argued that Italy's claims "stand on a different basis to ours, and her cooperation would be the reverse of an assistance." Lansdowne agreed: "We could not allow other Powers to 'cut in' at this stage."[1]

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[1]Buchanan to Lansdowne, December 2, 1902, and minutes by Larcom, Villiers and Lansdowne. F. O. 80/447. Lansdowne to Buchanan, December 7, 1902. F. O. 420/206. The Italians had inquired earlier as to the Foreign Office's position regarding Venezuela. See Costa to Lansdowne, March 12, 1901. F. O. 420/206; and E. B. memorandum of February 26, 1902. F. O. 80/443. There had also been earlier enquiries to Berlin.

Prinetti told Rodd that he "had taken steps to

Why were the Italians so interested in joining? The British Chargé at Rome, Sir James Rodd, believed that Prinetti's insistence on cooperation stemmed from his nervousness over criticism in the Italian parliament as to the vigor of his defense of Italian interests in Venezuela. The Italians obviously thought that there was safety in numbers in the enforcement of Latin American claims. As the Italian Ambassador at London argued:

> The local disturbance occasioned general inconvenience, to say nothing of the risk of complications with the United States. It was therefore much better that all the teeth should be pulled out at once, and that Italy should not stand aside upon this occasion, and be obliged to intervene on her own account at a future time.

And in case the British had no interest in pulling the Italian Foreign Office's chestnuts out of the fire, Prinetti had an added incentive. When he made his proposal to Rodd at Rome, he linked the Venezuelan issue with a British request for Italian cooperation in the use of a port in Italian Somaliland for a punitive expedition by the British into the

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inform the United States Government that Italy might find it necessary to take coercive measures, and had received a very satisfactory reply." Rodd to Lansdowne, December 3, 1902. F. O. 420/206. According to a State Department memorandum of March 6, 1902, Italy had been given the same reply as Germany but was cautioned "that it would be better that any demonstration which was made by Italy should not be simultaneous with that made by Germany, as it might create an injurious and erroneous impression upon public opinion in the United States." Quoted by Alfred L. P. Dennis, Adventures in American Diplomacy, 1896-1906 (New York, 1928), p. 286.

interior. Such an African campaign, Prinetti pointed out, would "be more favourably viewed by public opinion here if joint action with England were taken on the other side of the Atlantic."[1] Thus once again we see the question of cooperation with a European power cutting across the purely American considerations of the British government.

Lansdowne's first suggestion was that Italy cooperate at a later stage, preferably after Venezuela had submitted to Britain and Germany and while the claims were being assessed. According to Rodd, Prinetti at first allowed "his disappointment to display itself in an attitude which appeared to me altogether unreasonable," and he continued to press the issue. Would he not have to reply eventually to the Chamber that Britain and Germany had not encouraged his Venezuelan proposal? And he would have to reply on Somaliland a few days later. It was an "unfortunate coincidence," but one that "would certainly produce an unfavourable effect in Italy." If there were no further communications on the subject, he would be forced to order an Italian warship to La Guayra to protect Italian interests.[2]

Lansdowne was still not ready to allow the Italians

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[1]Rodd to Lansdowne, December 3, 1902; Lansdowne to Rodd, December 5th. F. O. 420/206.

[2]Lansdowne to Rodd, December 4, 1902; Rodd to Lansdowne, December 4th, 5th, and 8th. F. O. 420/206.

"to cut in" on the seizure of the Venezuelan gunboats, but he assured Prinetti that the British would gladly consider, in consultation with Germany, any suggestions that he might have for Italian participation in "ulterior measures." For the present, the sending of an Italian warship with special instructions was "the only immediate solution that occurs to me." Villiers however wanted to make sure that there was no misunderstanding regarding the first stage of action.

> It would be unfortunate if our naval officers were to assume that because the Italian vessel is ordered to La Guayra she is to take part in the first operations, & I have arranged with the Admiralty that a telegram should be sent at once to the S. N. O. at Trinidad informing him that the ship is to be given every assistance in case of emergency, & also that her Commander knows nothing about the plan for seizing the gunboats.[1]

By December 6th Prinetti was in "a calmer state of mind" and had accepted the situation. Lansdowne had no objections to Prinetti's suggestion that he tell the Chambers that the first phase of German and British action had to do with "offenses against the flag" which did not concern Italy, and that she would join in regarding ordinary claims. Prinetti was gratified at the outcome, but he still harbored some regrets at missing an opportunity to give a lesson to such a "degenerate" state as Venezuela.

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[1]Villiers' and Lansdowne's minutes to Rodd to Lansdowne, December 5, 1902. F. O. 80/447. Lansdowne to Rodd, December 5th. F. O. 420/206.

> He would also personally have been glad if Italy could have shared in establishing a precedent which might be invoked against any future attempts of insubordinate South American Republics to take shelter under the aegis of the Monroe Doctrine, and it would always be a matter of regret to him that, in the present instance, the Italian flag had not been called upon to support the British and German flags. . . . He hoped he had given abundant evidence of his real desire to act in concert with the British Government in all directions in which the interests of England and Italy in any small degree coincided, and it was his wish to give practical proof that the coolness in their relations which had been proclaimed by certain politicians was really a myth.[1]

There were a few dissenting voices. Chamberlain doubted that the cooperation with Germany would be popular,[2] and in Washington the British Ambassador, Sir Michael Herbert, was having a few qualms. Referring to the American reply to the British notification in November, Herbert admitted that Hay "was very sensible in regard to our con-

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[1]Rodd to Lansdowne, December 6, 1902. F. O. 80/447; Rodd to Lansdowne, December 8th. F. O. 420/206. See also Rodd to Lansdowne, private, of December 5th and 6th in Lansdowne Papers, Italy, vol. 16.

[2]As early as February of 1902 the Colonial Office wrote to Lansdowne "that it does not appear to Mr. Chamberlain that joint action with Germany, as suggested by Mr. Haggard, would at the present time be likely to lead to useful results." C. O. to F. O., February 19, 1902. F. O. 80/443. Evidently Chamberlain was more outspoken in private. He was in South Africa when the joint intervention took place, and, in January of 1903, he wrote to his son: "I warned Lansdowne before leaving that joint action with Germany would be unpopular and I very much regret that we did not go into the matter alone. I do not know all the circumstances and I see that one result is to make the relations between the U. S. and Germany rather strained." Joseph Chamberlain to Austen Chamberlain, January 9, 1903. Quoted in Monger, op. cit., p. 105.

templated action" and that Roosevelt had "already used similar language" about the Monroe Doctrine, but he was still uneasy. "I wish we were going to punish Venezuela without the aid of Germany," he wrote to Lansdowne on November 19th, "for I am not sure that joint action will be very palatable here." It was an accurate prophecy but one that had little effect on Lansdowne, who replied on December 4th that it was "perhaps unlucky" that they were "harnessed" to the Germans "but it was quite inevitable."[1]

In fact the Foreign Office had worked quite hard to make the intervention "inevitable," and there is no reason to believe that they were not satisfied that the stage had been set for a successful Anglo-German coercion of Venezuela. An agreement to cooperate had been struck with the Germans and most of the details had been hammered out; the United States had been sounded out and notified; the Venezuelans had been warned, the French reassured, and the Italians satisfied. All that remained was the expected refusal of Castro to accept the terms of the ultimatums and the two naval squadrons would move into action.

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[1]Herbert to Lansdowne, private, November 19, 1902; Lansdowne to Herbert, December 4, 1902. Lansdowne Papers, U. S., vol. 28. The Foreign Secretary did express some apprehension that the Germans would try to convince the United States "that they have shown more regard for them than we did and particularly that they went to them at an earlier stage in the proceedings than we did."

CHAPTER III

EUROPEAN COOPERATION IN LATIN AMERICA, 1901-1903

II. The Coercion of Venezuela

The Anglo-German coercion of Venezuela began in December of 1902 as the two representatives at Caracas put into effect the planned sequence of events. In the afternoon of December 7th, a Sunday, Haggard and Pilgrim Baltazzi sent their respective ultimatums to President Castro by way of the Venezuelan Minister for Foreign Affairs. Not receiving an answer in twenty-four hours, they left for the port of La Guayra, where, after another day passed without a reply, Haggard boarded H. M. S. Retribution, and the naval commanders immediately started the seizure of the Venezuelan gunboats. Three were captured and one disabled at La Guayra on December 9th. On the same day British ships seized another at Port of Spain, Trinidad, and in the following days the rest of the Venezuelan "navy" was taken by the British and German fleets. There had been no resistance during the seizures, and the first phase of the naval operations had

been a success.[1]

In spite of such a seemingly auspicious start, the entire affair rapidly developed into an embarrassing imbroglio, and the British statesmen found themselves on the defensive almost from the beginning. The first problem arose out of the activities of the naval commanders on the scene. While the seizure of the gunboats had been accomplished with little effort, the naval operations had led to some incidents that would eventually prove embarrassing to the two countries.

The first incident was the destruction by the Germans of the two gunboats that they had seized at La Guayra. The German commander, Commodore Scheder, seems to have been intent on sinking the two prizes. According to Haggard's account, Scheder told him, Captain Lyon of the Retribution, and Pilgrim Baltazzi of his plans to destroy the ships as they were unable to steam and would hamper his movements. When the two diplomats and the British captain protested, Scheder relented and ordered the Panther to tow the prizes to Curaçao. But when Scheder decided to send a landing

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[1]Haggard to Lansdowne, telegram 76, December 9, 1902; 77, December 10th; F. O. 420/206; and despatch of 14 December in F. O. 420/212. Douglas to Admiralty, December 19, 1902, in Admiralty to F. O., January 8, 1903, F. O. 420/212. The Germans captured another Venezuelan ship in addition to the two they destroyed at La Guayra.

party ashore in answer to an appeal from the frightened German consul, he recalled the Panther and ordered the prizes sunk as they were without anchors and would hamper the Panther's covering of the landing party. Haggard believed the action had been regrettable and unnecessary, and Pilgrim Baltazzi "was as much vexed as any one, and told me that he and the Commodore had long discussions on the subject, and that, apart from what had passed at our meeting, the latter had promised him not to sink the ships."[1]

Both the British and the Germans sent landing parties ashore at La Guayra to take aboard their countrymen at the port. The same night that the Germans rescued their consul, Captain Lyon landed an armed party to bring out the British Vice-Consul and others, and on the 11th he put ashore another party for the personnel of the British owned La Guayra Harbour Corporation who were threatened by Venezuelan troops. The second landing was covered by the guns of the Retribution and the German cruiser Vineta and was accomplished without violence, but it had been a potentially dangerous situation.[2]

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[1]Haggard to Lansdowne, December 14, 1902; and Lyon to Douglas, December 13, 1902, in Admiralty to F. O., January 7, 1903. F. O. 420/212. Scheder also wanted Lyon to sink one of the two boats captured by the British as it was under repair and could not be towed out. Haggard protested and suggested that the machinery be disabled instead.

[2]Haggard to Lansdowne, December 14, 1902. F. O. 420/212.

The most criticized British action was their part in the bombardment of the Venezuelan forts at Puerto Cabello. The instigator of this incident was a British naval officer, Commodore Montgomerie. On arriving at La Guayra on December 12th, Montgomerie heard that a British merchant ship, the Topaze, had been seized at Puerto Cabello and her crew imprisoned. When Montgomerie, aboard H. M. S. Charybdis, and the German cruiser Vineta arrived at Puerto Cabello the following day, they found that the crew had already been released. But Montgomerie was incensed to learn that the captain of the Topaze had been forced to haul down his flag, and he demanded an apology for the insult to the British flag, assurances that British and German subjects would not be molested, and threatened to shell the forts if there was no answer within a given time.

The answer did not come in time, and, after a twenty minute bombardment, both the British and German ships sent in landing parties to destroy the Venezuelan guns ashore. Venezuelan resistance was practically nil; the only casualties were two Venezuelan soldiers who broke their legs during the bombardment. Montgomerie was quite satisfied with his exploits and reported that the German commander "backed me up most loyally." Montgomerie's superior at Trinidad, Admiral Douglas, was not impressed. He told the Admiralty

that he intended to inform Montgomerie personally "that his action in bombarding the forts, after restitution had been made or obtained, was not justifiable, being premature and unnecessarily provocative at the stage in which affairs were at the time."[1] But the damage had been done.

Although the German sinking of the gunboats and the joint bombardment of Puerto Cabello were unnecessary, and one can question the judgement of the naval commanders, they were not violating orders, and such minor acts of violence were part and parcel of traditional gunboat diplomacy. Under other circumstances they probably would have created little stir, and, as an Admiralty official told Villiers regarding Montgomerie's action, the incident was "more important from its political significance than from the naval discipline aspect."[2]

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[1]Douglas to Admiralty, December 19, 1902, and enclosure Montgomerie to Douglas, December 15, 1902, in Admiralty to F. O., January 8, 1903. F. O. 420/212.

There was some sentiment within the Admiralty for censuring Montgomerie for his action at Puerto Cabello, but it was decided to wait until Lansdowne expressed his views. In January, Villiers, who saw nothing wrong with Montgomerie's action, was told that the Admiralty intended to drop the idea unless the Foreign Office expressed a contrary opinion. Lansdowne was "all for letting it drop." See Villiers memorandum of January 8, 1903, on his talk with Mr. Thomas of the Admiralty, and Lansdowne's and Villiers' minutes on Admiralty to Foreign Office, January 8, 1903. F. O. 80/479.

[2]Villiers' memorandum of January 8, 1903. F. O. 80/479.

Unfortunately for the Foreign Office, the political significance of these events soon became obvious. They were to be seized upon by British and American critics of the whole idea of Anglo-German cooperation and used as ammunition in their agitation against the Venezuelan adventure. However, the basic flaw in the early naval operations was more serious. They did not suffice in bringing about Castro's complete capitulation, and the two governments felt compelled to resort to the planned second phase of coercion, the naval blockade, thus extending the cooperation and allowing the resentment against it to build up to dangerous proportions.[1]

The idea of a blockade had been considered throughout the preliminary negotiations between the British and the Germans, and the only unsettled problem at the time of the ultimatums was the German desire to call it "pacific." The Foreign Office's Legal Advisor, William Davidson, wanted to clear up the difference before it was put into effect, but, following the advice of the Lord Chancellor, Lansdowne

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[1]Castro's reply to the British ultimatum, dated December 9th, came by way of Bowen to Haggard and did not arrive at the Foreign Office until December 14th. In the "usual contentious nature" of Venezuelan notes, it merely reiterated Castro's complaints against Britain and ended with the statement that the treasury of Venezuela was empty. As the decision had already been made to impose the blockade, and as Castro had already called for arbitration, the answer had no effect on the situation. See Haggard to Lansdowne, December 14, 1902. F. O. 420/206.

believed this was unnecessary.

> We have laid it down clearly that we regard these measures as implying a condition of war & we have left the German Govt in no doubt as to this. Should they resort to the same measures & endeavor to convince the persons to whom they are applied that they are consistent with a condition of peace that will be their affair. . . .
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> If having these views before them the German Govt find themselves in trouble with their own Bundesrat or with the owners of neutral vessels, they will have no one to thank but themselves.

The Law Officers agreed, stressing the necessity of keeping the actual operations of the blockading squadrons separate and distinct. They advised the Foreign Office that, while no declaration of war against Venezuela was needed, it would be necessary to issue a formal notification of blockade. On December 10th, a conference at the House of Lords decided that each power would blockade a separate section of the Venezuelan coast, and that each would issue its own blockade notification and its own instructions to the naval squadrons. On the following day Lansdowne told Metternich that he saw no reason why the blockade should not start as soon as possible, and the Admiralty instructed Admiral Douglas to set it in motion as soon as the two squadrons were ready.[1]

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[1]Davidson's memorandums of December 8 and 9, 1902; Lansdowne's memorandums, one undated, and those of December 9th, 10th, and 11th; Foreign Office memorandum of December 10th. F. O. 80/448. Lansdowne to Buchanan, December 11, 1902. F. O. 420/206.

There still remained the promise made to the Italians that they would be allowed to cooperate in the second stage of the coercion. On December 9th Lansdowne told the Italian Ambassador that Italy was welcome to join. The Italians were quick to accept the invitation. On the 11th they presented their demands to Venezuela, and five days later they recalled their representative from Caracas. The Germans had no objections, and, although Italian participation was to be minimal and the agreement much more informal, Great Britain had acquired a new partner.[1]

The last technicality was seemingly cleared up on December 13th when Bernsdorff told Villiers that Berlin had decided to follow the British and use a belligerent blockade, as they were "desirous to remove all points of difference" between the two governments.[2] The Germans were already beginning to feel the heat of British and American criticism, and the Kaiser was more than willing to follow Bulow's advice to accept "the British programme."[3]

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[1]Lansdowne to Rodd, December 9, 1902. F. O. 80/447. Lansdowne to Buchanan, December 13, 1902. F. O. 420/206. Perkins, op. cit., pp. 338-39. Lansdowne to Pansa, private, December 12. F. O. 80/448.

[2]Lansdowne to Buchanan, December 13, 1902. F. O. 420/206. Villiers' minute of December 13th. F. O. 80/448.

[3]Bulow to Kaiser, December 12, 1902. German Diplomatic Documents, pp. 162-64 and Die Grosse Politik, pp. 258-60. When Bulow pointed out to the Kaiser that the British

In spite of the successful coordination of the plans for a blockade, it was obvious from the beginning that the Foreign Offices of the cooperating powers were in for a difficult time. In the case of the British government, a disquieting degree of pressure began to build up from two sources, public and partisan opinion at home and from the United States. There was immediate criticism in some of the British press, and, as early as December 8th, Liberal leaders in Parliament were raising questions over the Venezuelan venture. Most of the early queries were for information, but, after some of the correspondence was laid before Parliament on the 12th, the questions became more pointed.

On December 15th, a full-fledged debate broke out in which the necessity of the intervention was questioned, the tactics of the Foreign Office criticized, the agreement with Germany deplored, and the question raised of its effect on relations with the United States.[1] The opposition was up

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and American press were viewing Germany as "the chief instigator of the whole movement and of all the measures of compulsion in particular," and suggested that Germany refrain from "any extension of military preparations," the Kaiser noted: "Agreed! Italy may take part at her ease, and the more ships the British send the better. Thus our action becomes less prominent, and theirs more so. Naturally we join in with the British programme. I am against sending more of our ships away from home! Our flag is represented, so let us leave England to take the first step."

[1]For the debate of December 15th, see Great Britain, The Parliamentary Debates, vol. 116, pp. 1245-87.

in arms, and only the end of the session on December 18th terminated the Parliamentary attack. To Sir Henry Campbell-Bannerman, the Liberal leader, the joint intervention was "a blunder with the seed of war in it," and, along with other Conservative iniquities, it made a "nice Christmas pie."[1]

At the same time that the government was becoming hard pressed at home, there were equally disturbing signs that all was not well across the Atlantic. For a brief period it seemed that the Foreign Office's calculations had been correct and that the United States would maintain a passive attitude. Indeed, in the early days of the intervention the United States proved to be a positive help. When the infuriated Castro retaliated by arresting a number of British and German subjects, Ambassador Bowen acted very vigorously in effecting their release, and when a mob attacked the German Legation, he arranged for police protection for both legations.[2]

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[1]Quoted in J. A. Spender, The Life of the Right Hon. Sir Henry Campbell-Bannerman (London: 1923), II, 84-85.

[2]Herbert to Lansdowne, December 10 and 11, 1902. F. O. 420/206. According to Bowen, Castro was infuriated at him for wanting to represent the British and Germans: "He jumped to his feet, waved his arms and talked in torrents; but I persisted; and finally, when I threatened to send for some American marines, he yielded." Bowen, op. cit., p. 258.

The first sign of concern from Washington arose over the nature of the proposed blockade. On December 13th, Henry White, who was in charge of the London Embassy in the absence of Ambassador Choate, delivered a note stating Hay's objections to a "pacific" blockade. In December of 1901, the Germans had mentioned the possible use of such a blockade, and the Secretary of State now wanted it understood that the United States did not concede the right. The United States could not "acquiesce" in the extension of such a doctrine "which may effect the rights of States not parties to the controversy or discriminate against the commerce of neutral nations, and my Government reserves all of its rights in the premises." As the Germans had just agreed to a blockade jure gentium, Lansdowne was able to reassure White that Britain had always opposed a pacific blockade and that there was "now no difference of opinion" between Germany and Britain. Herbert in Washington was happy to hear this too, as he knew Hay "was nervous about it."[1]

A much more serious complication arose for the British and the Germans when the wily Castro called for arbitration, a tactic that would eventually bring the American

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[1]White to Lansdowne, December 13, 1902; Lansdowne to Herbert, December 17, 1902, 244. F. O. 420/206. White to Hay, December 15, 1902; White to Hay, December 17, 1902. State Department Despatches, Great Britain, Vol. 206. Herbert to Lansdowne, private, December 19, 1902. Lansdowne Papers, U. S., Vol. 28.

administration into the dispute. According to Bowen, he told the Venezuelan dictator that the "excitement is over. You now have to face the facts." Castro obviously felt that the facts could be best faced by way of Washington, and the Venezuelan President relayed his arbitration proposal to the European powers via the State Department. Lansdowne was at his country house when White delivered the request on December 13th, but, when he returned to London two days later, he was obviously faced with a delicate situation.[1]

Lansdowne immediately consulted with both Metternich and White. As Metternich had been told by Berlin to comment upon the Venezuelan proposal as if he were giving his personal opinion, Lansdowne was uncertain as to Germany's official reaction, but the German Ambassador did seem to pour cold water on the idea.

> Speaking, however for himself, he observed that while we should, no doubt, all of us desire to meet such a proposal in a manner agreeable to the United States Government, there seemed to him to be considerable objections to encouraging the idea of arbitration. He observed, moreover, that the proposal was merely passed on to us, and not in anyway supported by the United States Government.

Some of the claims, Metternich argued, had already been carefully considered and were not arbitrable. The two

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[1]Bowen, op. cit., pp. 258-59; White to Lansdowne, December 13, 1902. F. O. 420/206. Castro also wanted Bowen to represent Venezuela, but the British did not hear of this until December 18th.

governments had already agreed on a mixed commission for the rest, and it was open to question whether Venezuela would honor its obligations under arbitration. "I told His Excellency," Lansdowne wrote to Buchanan, "that some of these objections had already occurred to me, and that I thought we might add to them the further argument that the Venezuelan proposal was a belated one, and that the Venezuelan Government should not have waited to make it until we had given them three distinct warnings, and been finally driven to resort to coercive measures."[1]

That same day Lansdowne told White that he had not been able to consult the Cabinet as yet regarding the arbitration proposal, but that it would obviously require "very careful" examination. Once again the nagging question of the position of the American administration came up.

> I also mentioned to Mr. White that I observed that the proposal was merely forwarded by the United States' Government, and not in anyway recommended for our acceptance.
> Mr. White said that this was no doubt the case.[2]

But according to White, he also took advantage of the meeting to express his own "grave apprehension" that a

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[1]Lansdowne to Buchanan, December 15, 1902. F. O. 420/206. See also Richthofen to Metternich, December 14th, and Metternich to Foreign Office, December 15th. Die Grosse Politik, pp. 260-64.

[2]Lansdowne to Herbert, December 15, 1902. F. O. 420/206.

continuation of hostilities could lead to some "untoward incident" that might arouse American public opinion.[1] Indeed, the indefatigable White was busy spreading dire warnings throughout his wide circle of acquaintances in London. He reported to Hay that he was hopeful that something would come "of our transmission" of the arbitration proposal. "I am expressing privately to my friends in the Government grave fears, of course as my personal opinion only, lest Great Britain will, if hostilities continue, be involved. . . in some action which will estrange if not antagonize American public feeling."[2] On the 15th White also met Balfour at the House of Commons, and "very frankly" told the Prime Minister of his "feelings of anxiety at the whole situation and my earnest hope that he would not allow his government to be led by Germany into doing something to exacerbate our public opinion."[3]

As the critical debate in Parliament took place on

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[1]White to Hay, despatch 1001, December 17, 1902. State Department Despatches, Great Britain, vol. 206.

[2]White to Hay, December 15, 1902. State Department Despatches, Great Britain, Vol. 206.

[3]White to Hay, December 17, 1902; quoted in Allan Nevins, Henry White, Thirty Years of American Diplomacy (New York, 1930), p. 310. Nevins has misdated this letter December 13th. See Campbell, op. cit., pp. 280-81. This conversation therefore took place on the 15th rather than December 8th as often cited.

the evening of the 15th, the Cabinet knew they were saddled with an unpopular and possibly dangerous adventure. Despite the obvious drawbacks to arbitration that had been voiced, they decided on December 16th to suggest to the Germans a modification of their plans. The "first-line" claims could not be arbitrated, but, as Lansdowne told Metternich, it "seemed to us . . . worthy of consideration whether we might not admit the principle of arbitration" for the other claims "and perhaps invite the United States to arbitrate upon them."[1]

While the worried British government was waiting to hear the German reaction to such a limited arbitration, the American administration finally dropped its disinterested pose. The day following the Cabinet meeting, White received instructions from Hay to urge upon the British government "the great desirability" of arbitration. White did so "urgently," but Lansdowne was unable to tell him of the decision of the Cabinet until the German answer arrived.[2]

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[1]Lansdowne to Buchanan, December 16, 1902. F. O. 420/206. Metternich to the Foreign Office, December 16th. Die Grosse Politik, pp. 265-66.

[2]Lansdowne to Herbert, 245, December 17, 1902. F. O. 420/206. White to Hay, December 17th. State Department Despatches, Great Britain, Vol. 206. Lansdowne was evidently not too happy with the official American urging. White cabled Hay on December 18th that Lansdowne "would, I know, appreciate highly suppression if possible when correspondence is published of instruction I carried out yesterday to

To add to their worries, on the same day the Foreign Office received the first of Herbert's warnings from Washington. The British Ambassador reported a "growing feeling of irritation" in Congress due to the sinking of the Venezuelan gunboats and the bombardment of Puerto Cabello. The administration was "undoubtedly apprehensive" over the designs of Germany. "From the point of view of the good feeling in America towards Great Britain, our friends here regret that we are co-operating with Germany, as an impression prevails in Washington that we are being made use of by her."[1]

As for the Germans, they already knew that their representatives in Washington had misled them as to American friendliness and that there was widespread hostility to the joint action in Britain. On December 16th Metternich warned from London that the British Government was, "in the long run, too weak to stick to its guns" and "that the sooner we can honorably withdraw from this business in concert with England, the better it will be." That same day Holleben in Washington recommended accepting arbitration for its effect on American opinion.[2] Whether Roosevelt, during the early

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represent desirability of acceptance. In any case please erase word 'urgently' in my cablegram." State Department Despatches, Great Britain, Vol. 206.

[1]Herbert to Lansdowne, 60, December 16, 1902. F. O. 420/206.

[2]Metternich to the Foreign Office, December 16, 1902,

days of the Venezuelan crisis, delivered some form of warning or ultimatum to the Germans to accept arbitration has been a matter of hot dispute between American diplomatic historians.[1] Roosevelt later claimed that he had indulged in some decisive secret diplomacy, but if such was the case the British government knew nothing of it. In any event Germany once again followed the British lead. As the German Chancellor commented on Holleben's recommendation to accept arbitration: "His Majesty does not want under any circumstances to take a step further than Britain takes, or to take any step without Britain."[2]

On December 18th Lansdowne received from Metternich the welcome news that Germany agreed with the British suggestions.

> He was, in the first place, instructed to tell me that it would be the leading principle for the German Government, in the further treatment of the Venezuelan question, not to do anything which might provide "ammunition" for use against the British Government by those who had so strongly condemned British and German

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and Holleben to the Foreign Office, December 16th. Die Grosse Politik, pp. 264-66. See also Perkins, op. cit., pp. 345, 357, and Beale, op. cit., pp. 413-15, 420-21.

[1]For two opposed analyses, see Perkins, op. cit., pp. 377-90, Beale, op. cit., pp. 395-431. The preparations and movements of the American fleet during the crisis are studied in Seward W. Livermore, "Theodore Roosevelt, the American Navy, and the Venezuelan Crisis of 1902-1903," American Historical Review, LI (April, 1946), 452-71.

[2]Die Grosse Politik, p. 264.

> co-operation. The German Government fully recognized the difficulty in which this opposition had placed us, and would spare no efforts in order to dispel the false impressions which had been created, and to disperse the calumnies which had been circulated. They recognized that resort to arbitration would be likely to produce a salutary effect, and they considered that action should be taken upon the Venezuelan proposal at once, without waiting until Washington "exchanged the role of post-office for one of a more active character."
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> The German Government were accordingly prepared to accept at every point the suggestions which we had made to them.

The Germans wanted to invite President Roosevelt to act as arbitrator, but, if this were not possible, "there will be no other course open but to intrust the Hague Court of Arbitration with the settlement of the matter, the American press, after the Swedish award in the Samoan question, having shown a favourable inclination for the Hague Court of Arbitration."[1]

The British Cabinet's acceptance of the principle of arbitration on the afternoon of the 18th was a matter of formality. Lansdowne immediately told White of the decision, pointing out that there would be reservations and that "we did not propose for the present to desist from the measures of coercion now in progress." Lansdowne was also careful to convey to White that the British decision had really been

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[1]Memorandum from Metternich of December 18, 1902; Lansdowne to Lascelles, December 18, 1902. F. O. 420/206. Bulow to Metternich, December 17th. Die Grosse Politik, pp. 266-68.

made before White had carried out Hay's instructions of the 17th. As White reported the discussion to Hay, Lansdowne wanted him "to acquaint you privately for the President's information" that the Cabinet had accepted arbitration on the 16th, and that the British Government "are the better pleased to find that they had of their own accord adopted a course which would find favor with the Government of the United States."[1]

The British decision to arbitrate was not the only sign of British solicitude for American feelings during these critical days. During his conversation with Lansdowne on the 15th, White was told "in special confidence" that Britain did not contemplate "at present" landing any armed forces in Venezuela and would make every effort to avoid it in the future. Lansdowne wanted to keep this secret from the Venezuelans, but the Cabinet at its meeting on December 16th decided to make a public statement, and White believed this decision was "partly due" to his talk with Balfour on the preceding day.[2]

In response to a question in the House of Lords on

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[1]Lansdowne to Herbert, December 18, 1902. F. O. 420/206. White to Hay, December 18, 1902. State Department Despatches, Great Britain, Vol. 206.

[2]White to Hay, December 15, 1902. State Department Despatches, Great Britain, Vol. 206. Nevins, op. cit., p. 210. Lansdowne to Buchanan, December 16, 1902. F. O. 420/206.

December 16th as to whether any further coercive measures were intended by the government, the Foreign Secretary replied that a blockade was planned but that it was not intended "to land a British force, and still less to occupy Venezuelan territory." Balfour was even more explicit in the House of Commons the following day: "We have no intention, and have never had any intention, of landing troops in Venezuela or of occupying territory, even though that occupation might only be of a temporary nature." Orders to the British squadron that day from the Admiralty went even further. Ships captains were instructed "not to land men, nor bombard forts, nor sink ships without authority from the Admiralty." The matter of no bombardment without special permission was not mentioned in the public statements, but White learned of these "stringent orders" and was told that such permission "will not be granted save under circumstances at present unforeseen."[1]

Nor did the British government fail to reassure the

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[1] The Parliamentary Debates, vol. 116, pp. 1289-90, 1489; Admiralty to Douglas, December 16, 1902, in Admiralty to Foreign Office, January 24, 1903. F. O. 420/212. White to Hay, December 16, 1902. State Department Despatches, Great Britain, Vol. 206. According to White the public statements were Balfour's idea: "I have ascertained most confidentially that the Prime Minister persuaded his colleagues to publish statement I have telegraphed to you today with a view of reassuring public opinion in our country not withstanding its probable encouragement to further resistance on the part of Venezuela."

United States by mentioning the Monroe Doctrine by name. The Parliamentary debate of December 15th abounded with references to American susceptibilities regarding the doctrine, and, in his defense of the government, Lord Cranborne, the Foreign Office's Parliamentary Undersecretary of State, rose to the occasion.

> It has been asked what view the United States takes of the situation. I can inform the House that the United States takes the very reasonable and sensible view of the situation that was to be expected from that country. They recognize that the insistence of England that the Venezuelan Government should meet its engagements and respect the rights of British subjects is in no way an infraction of the Monroe Doctrine, and they recognize that no nation in the world has been more anxious than England to assist them in maintaining that doctrine.[1]

After Great Britain and Germany accepted the principle of arbitration, it is little wonder that Roosevelt could write to ex-President Cleveland that the two countries had explicitly recognized the Monroe Doctrine in the Venezuelan controversy, and to congratulate him "on the rounding out of your policy."[2]

Obviously the Anglo-German operation had taken on a coloration not foreseen by its planners. But what exactly had they given up? Arbitration by either Roosevelt or the

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[1] The Parliamentary Debates, vol. 116, pp. 1262-63.

[2] Roosevelt to Cleveland, December 26, 1902. E. E. Morison, ed., The Letters of Theodore Roosevelt (Cambridge, Mass., 1951), III, 398.

Hague was certainly riskier than the mixed British-German-Venezuelan commission originally envisioned, and, although they had never planned to land troops to occupy Venezuelan territory, the British at least had publicly restricted themselves. But the extent of the capitulation can be over-emphasized, for an analysis of the reservations or conditions that the coercing powers attached to their acceptance of arbitration shows that they were still intent on protecting the interests of their claimants.

For example, in the British answer of December 23rd to the arbitration proposal, the Foreign Office no longer demanded an admission of liability for all the claims, but there were still a number of significant conditions. Not only were the first class claims--the British shipping claims and those for maltreatment and false imprisonment--exempted from arbitration, but Venezuela had to admit that a liability existed in principle for all claims for injury to, or wrongful seizure of, property. In these cases the arbitrator would only decide whether the injury took place or if the seizure was unlawful, and, if so, what compensation was due. The other claims could be arbitrated without reservations. In addition, the tribunal was to define the security for the claims, "and the means to be resorted to for the purpose of guaranteeing a sufficient and punctual

discharge of the obligation."[1]

It is true that when Lansdowne gave the British conditions to White, he "intimated" that, if the United States wanted any alterations or modifications, Britain "would be happy to consider any such provided they did not involve any question of principle."[2] But it was still clear that the arbitration would be limited, and that both Germany and Britain were determined to maintain the blockade until their conditions were accepted.

But how long could Anglo-German cooperation be continued? There had been no friction between the two governments, but the depths of the anti-German feelings in Britain had surprised the statesmen. Lansdowne found it "furious & unreasoning." "The violence of the anti-German feeling here has been extraordinary," he wrote to Herbert, "& has produced a profound impression on the German mind. It has how-

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[1]Memorandum to White, December 23, 1902. F. O. 420/206. For the distinction of the two categories of second class British claims, see Platt, loc. cit., pp. 22-23. Even Platt admits that the "hand of the conqueror" was seen in the liability condition placed on the claims of the first category of the second class claims: "The stipulation that the Venezuelan Government should admit liability in all such cases obviously flew in the face of normal international practice."

[2]White to Hay, December 24, 1902. State Department Despatches, Great Britain, vol. 206.

ever been allowed to go much too far."[1]

Much the same could have been said about opinion across the Atlantic, but here there was the consolation of knowing that most of the odium for the action was being directed at Germany and not Britain. "The explosion of feeling against Germany here is somewhat remarkable," wrote Herbert on December 19th. "I confess to regarding it with malevolent satisfaction, especially when I think of all the German efforts to discredit us and to flatter America during the past twelve months."[2] Ten days later the British ambassador expressed his opinion that if the dispute was now settled without delay "it will be almost safe to affirm that the friendly relations between Great Britain and the United States, instead of being impaired, have, if anything, been strengthened by the Venezuelan incident."[3]

Herbert's optimism was perhaps unfounded, but it was clear to the Foreign Office that the crux of the problem now was to effect a fast solution that would end the unpopular partnership with Germany. One of the reasons that Lansdowne

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[1]Lansdowne to Herbert, December 27, 1902, and January 2, 1903. Lansdowne Papers, U. S., vol. 28.

[2]Herbert to Lansdowne, private, December 19, 1902. Lansdowne Papers, U. S., vol. 28.

[3]Quoted in C. S. Campbell, op. cit., pp. 288-89.

preferred Roosevelt to the Hague as an arbitrator was the prospect that the American President would effect a faster settlement. As early as December 20th, Roosevelt "intimated discreetly & unofficially" through White that he preferred the Hague Court. But Roosevelt was tempted to accept the offer, and it was not until he knew the British and German conditions and that his refusal would not prejudice their acceptance that he formally declined their invitation.[1] Lansdowne now feared difficulties with Venezuela over the reservations, and was sorry that Roosevelt had refused, for "if he had undertaken the job we might probably have got through with a minimum of pedantry and red tape." As he wrote to Balfour, Venezuela probably "will haggle over our conditions, and I should be rather afraid of the U. S. Govt. being too officious in its attempts to bring us together."[2]

It was this desire for a rapid solution that weighed

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[1]Villiers to Lansdowne, December 20, 1902; White to Villiers, December 20th. F. O. 80/449. Lansdowne to Herbert, December 22nd; White to Lansdowne, December 27th. F. O. 420/206. Hay preferred the use of the Hague and was afraid that Roosevelt would accept. Hay came back from the State Department "one afternoon at tea-time and strode up and down the room exclaiming: 'I have it all arranged, I have it all arranged. If only Teddy will keep his mouth shut until tomorrow noon!'" Tyler Dennett, John Hay, from Poetry to Politics (New York, 1934), p. 346.

[2]Lansdowne to Herbert, December 27, 1902. Lansdowne Papers, U. S., vol. 28. Lansdowne to Balfour, January 1, 1903. Arthur J. Balfour Papers (The British Museum, London), 49728. Cited hereafter as the Balfour Papers.

heavily in the decision to deal with Bowen as a representative of Castro. The Foreign Office first heard of this suggestion on December 18th by way of Haggard in Trinidad. On the following day Washington again entered the scene when White relayed Hay's information that Venezuela had conferred upon Bowen "full powers to enter into negotiations." Did Lansdowne agree? As Roosevelt had not as yet refused to act as arbitrator, the British were quick to reject "an alternative proceeding," and, when the American President did decline, the assumption in London was that the matter would go to the Hague.[1] But the question was raised again by the Venezuelan reply of January 1, 1903, in which Castro, bowing to "superior force," recognized the European claims in principle, and asked that the American minister, who would be "duly authorized to settle the whole question," go to Washington and arrange for either an immediate settlement or for the preliminaries to the Hague.[2]

Once again the Venezuelan proposal had come by way of the State Department, and once again the question arose

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[1]Haggard to Lansdowne, 87, December 17, 1902, (received Dec. 18); White to Lansdowne, December 19th, and Lansdowne to White, December 19th. F. O. 420/206. White to Hay, despatch 1007, December 20, 1902. State Department Despatches, Great Britain, vol. 206.

[2]White to Lansdowne, January 1, 1903. F. O. 420/212. For Bowen's account of his choice as arbitrator, see Bowen, op. cit., pp. 259-62.

as to the position of the United States. Did the administration desire this unorthodox procedure? The day before Hay had assured Herbert that the selection of Bowen by Castro had not been at the suggestion of the United States and that Roosevelt would refuse permission to Bowen if the European powers objected. If he was accepted he would be "absolutely independent" of the American government and would get no instructions from the State Department. On January 1st, White reiterated that Bowen's designation was not due to the "suggestion or wish" of his government, and that the United States thought that Bowen had been chosen apparently "in the interest of prompt and favourable action." According to Metternich, his government thought that the United States opposed the choice of Bowen, but Lansdowne interpreted the statements to mean that the American administration would not impose Bowen upon them, and that White's statement "implied that they regarded his designation at all events without disfavour."[1]

The idea of an immediate settlement was appealing to Lansdowne. As White reported to Hay:

> Without committing himself in any way, Lord Lansdowne seemed inclined on reading telegram to look favorably upon proposal to send the American Minister

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[1]Herbert to Lansdowne, 67, December 31, 1902; Lansdowne to Herbert, January 1, 1903; Lansdowne to Lascelles, January 2, 1903. F. O. 420/212.

> to Venezuela to Washington to arrange immediate settlement of all claims as saving time and being much simpler than reference to the Hague provided there be any reasonable certainty that Venezuela will carry out settlement so arranged. . . . Not improbably Lord Lansdowne also felt, though he did not say so, that Bowen's so acting would involve moral guarantee on our part that settlement arranged by him will be carried out.[1]

In passing on the Venezuelan proposal to Balfour, Lansdowne urged the advantages of an immediate settlement by means of Bowen rather than the slow and complicated Hague machinery, and argued that even if the Hague were their goal "we may find Washington a convenient half-wayhouse."

> I do not know whether you will consider that at this stage, as in earlier ones, the U. S. Govt. is assuming too conspicuous a part in the proceedings. To my mind there is not much in the objection. If we are to exclude entirely the good offices of mutual friends, and to find our way unassisted to the Hague, I fear we may get lost in the road.

The Prime Minister was not adverse to the idea, and assured the Foreign Secretary that he was not resentful of the American connection.

> I have no objection whatever, as you seem to suppose, to Hay's action. I thought their original offer a little previous, as I feared it was open to the interpretation that they were forcing arbitration upon us. Whether this was so, or not, their subsequent action seems to be all that could be wished.[2]

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[1]White to Hay, January 1, 1903. State Department Despatches, Great Britain, vol. 206.

[2]Lansdowne to Balfour, January 1, 1903; Balfour to Lansdowne, January 2nd. Balfour Papers, 49728.

The major stumbling block for the British to overcome in accepting the proposal was the character of Bowen himself. Balfour's only doubts came from the reports from Caracas that Bowen was "anti-British and cantankerous." Was there "any danger of his being captured by the extreme American jingoes at Washington and asking for impossible terms?"[1] It was a real problem, for Haggard had often referred to Bowen in disparaging and suspicious terms in his despatches the previous year, and, when the American minister was first suggested in December, Haggard had warned that he "is a mischievous man, and that it would be suicidal to allow him to have a voice in any settlement." Just as the matter was being considered, a secret despatch arrived from Haggard in which he considerably expanded upon his theme. Bowen was described as an intriguer, working for his own ends by backing Venezuela and belittling Haggard himself. There was no doubt in the British minister's mind that the defiant attitude of the Venezuelan government stemmed from Bowen's encouragement, and "it was really a matter of common knowledge in Caracas that he was trying to build up his own influence by doing his best to thwart us."[2]

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[1]Balfour to Lansdowne, January 2, 1903. Balfour Papers, 49728.

[2]Haggard to Lansdowne, 87, December 17, 1902. F. O. 420/206. Haggard to Lansdowne, despatch 240, December 18, 1902 (arrived Jan. 2). F. O. 420/212.

Lansdowne, for his part, was ready to minimize Haggard's bad account. As Haggard had quarrelled with Bowen in the past, the Foreign Secretary was "inclined to discount what he says of his colleague." He immediately cabled Herbert for a confidential opinion. The reply from Washington was not too hopeful of an immediate settlement, and admitted that Bowen might play up to the "anti-foreign element" there, but, as the administration wanted the dispute settled, "he would probably be more practical to deal with than a Venezuelan."[1]

Even before Herbert's guarded opinion arrived, Lansdowne was busy trying to secure the necessary German concurrence. In their meeting on January 2nd, Metternich indicated that his government did not believe that Castro's reply of the 1st was sufficiently "distinct" regarding the conditions that had been demanded. Lansdowne agreed that more positive declarations were needed before negotiating with Bowen, but added that he thought it would be "unwise to exclude any arrangement" that offered hope for a faster settlement than use of the Hague.[2] The next day Lansdowne

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[1]Lansdowne's minute to Haggard's 240 of December 18, 1902. F. O. 80/448. Lansdowne to Herbert, private, January 2, 1903; Herbert to Lansdowne, private, January 3, 1903. Lansdowne Papers, U. S., vol. 28.

[2]Lansdowne to Lascelles, January 2, 1903. F. O. 420/212.

asked for an interview with White and specifically asked the American Chargé if in his opinion the United States had any objections to Bowen's proposed role as negotiator. White replied "in the negative, stating that I felt sure if such had been the case" Hay "would have instructed me to that effect." Lansdowne was "happy to hear that such was my view, which coincided with his own."[1] The Foreign Secretary was clearly taking no chances regarding the wishes of the American administration.

Once again the Germans fell in line with the British views and on January 5th the news was relayed to Caracas. Three days later Castro announced that he accepted the British and German reservations, and Bowen confidentially promised that their guarantee "will be the Custom Houses." This was considered sufficient by the blockading powers, and Bowen was soon on his way by an American warship to the United States.[2]

While Bowen was crossing the Caribbean, the Foreign

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[1]White to Hay, January 3, 1903. And White to Hay, despatch 1020, January 3rd. State Department Despatches, Great Britain, vol. 206. Lansdowne told White that he had made the inquiry because some officials in the Foreign Office had suggested that Hay's note was open to "two constructions."

[2]Metternich to Villiers, January 3, 1903; Lansdowne to Herbert and to White, January 5th; White to Lansdowne, January 9th. F. O. 420/212.

asked for an interview via [illegible] and specifically asked

the American Chargé d'Affaires to call upon the Chilean Foreign Min-

istry to register a protest in the name [illegible] against the

violations of American property rights by the Chilean Government.

[illegible] replied that he would have [illegible] to do

what [illegible] instructed him to do, but that he personally

[illegible] with the protest. [illegible] Foreign Minister

[illegible] Chilean Government [illegible] Foreign Ministry

January 20, 1928, [illegible] to negotiate [illegible] to

[illegible] in the near [illegible] future [illegible] the

[illegible] of Chilean [illegible] in the United States.

[illegible] to Nov. [illegible] 3, 1927. And while in Nov.

[illegible] 1927, [illegible] Chilean [illegible] Foreign Department [illegible]

made the inquiry because some officials in the Foreign Office

[illegible] Secretary [illegible] Consulate did write that no had

observation [illegible] Foreign Department Despatches,

[illegible] to Nov. [illegible] 3, 1927. And while in Nov.

[illegible] the Secretary [illegible] Department, the Foreign

Office [illegible] that [illegible] was open to "two con-

structive [illegible]" [illegible] Foreign Office [illegible]

[illegible] Chilean [illegible] Foreign Department [illegible]

[illegible] Chilean [illegible] Foreign Department [illegible]

[illegible] Chilean [illegible] Foreign Department

Office was drafting detailed instructions for Herbert to follow in the coming negotiations. The British Ambassador was first to find out if Bowen's instructions were "in strict accordance" with the British reservations laid down in December, and particularly if he was authorized to settle the "first line" claims immediately, now estimated by the Foreign Office at £5,500. The second rank claims--about £600,000--could be paid in cash, but Britain would accept a guarantee "based on security which must be adequate, and which the Venezuelan Government must be bound not to alienate for any other purpose." These claims, unlike the first rank, could be reviewed by a mixed commission. As for the bondholders, the third class claims, a "fresh arrangement must be entered into," including "a definition of the sources from which the necessary payments are to be provided." If there were no direct settlement, Herbert was to arrange preliminaries to refer all the claims, except the first rank, to the Hague.[1]

If Bowen should raise the question of Patos Island or the Ban Righ case, Herbert was to reply that he had no authority to discuss them.[2] Nor did the blockading powers

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[1]Lansdowne to Herbert, 15, January 13, 1903. F. O. 420/212.

[2]Lansdowne to Herbert, 17, January 13, 1903. F. O. 420/212. The 30% surtax on goods entering Venezuela from

have any intention of raising the blockade until their conditions were met. Even when White, on January 12th, carried out his orders to "suggest discreetly" that the blockade be lifted, Lansdowne refused, holding out "no hopes" that the pressure would be removed until a satisfactory settlement had been attained.[1]

At this point Lansdowne was rather optimistic. As he wrote to Herbert on January 13th, he was sure that they had been wise not to discourage the "unconventional" procedure of dealing with Bowen at Washington. There were "conflicting" reports on Bowen, "but even assuming him to be a bit of a rogue & an accomplice of Castro," it was better than dealing with the Venezuelans.

> On the whole I should say that Bowen's selection makes in favour of that which I most earnestly desire, viz: an early settlement of the dispute, & I am in great hopes that you will effect one for us.
>
> The Venezuelans want it: the blockade is beginning to pinch them, & I have told Harry White that we cannot raise it until a settlement has been arrived at.
>
> Bowen will probably be keen to come to terms with you. The U. S. Govt. will, I should think, be of the same way of thinking, & we shall be delighted to be rid of the question. . . .

Trinidad was also excluded from the negotiations by request of the Colonial Office. C. O. to F. O., January 16th. F. O. 420/212.

[1]Lansdowne to Herbert, 14, January 12, 1903. F. O. 420/212. White to Hay, telegram and despatch 1026 of January 12th. State Department Despatches, Great Britain, vol. 206. Bowen also repeatedly attempted to get the blockade lifted during the negotiations.

> Upon the whole therefore I am sanguine, but it wd be a misfortune if the U. S. Govt. were to exhibit too much interest in the proceedings, & anything like officiousness on their part, &, still more, the appearance of dictation, wd do endless harm here & perhaps spoil the game altogether. You may possibly see your way to giving Mr Hay a hint in this sense. He seems to me to be always friendly & tactful, but his colleagues may be less so.[1]

Unfortunately for Lansdowne and his colleagues, the negotiations soon bogged down in a diplomatic morass caused by a combination of Teutonic thoroughness and American "shirt sleeve" diplomacy as practiced by Bowen. At first it seemed that all might go well. The three blockading powers decided to hold separate negotiations with Bowen, while consulting together and coordinating their efforts. From the British point of view, Herbert's first meetings with Bowen seemed promising. On January 23rd, Herbert reported that he had Bowen's "written acceptance of our conditions without reserve," and on the following day that Bowen had accepted both the German and Italian conditions in principle.[2] There were signs of a personality conflict between the two negotiators. As Herbert later described the first meetings, Bowen was rather overbearing "and I had gently to intimate to him that he was representing (to use an

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[1]Lansdowne to Herbert, January 13, 1903. Lansdowne Papers, U. S., vol. 28.

[2]Herbert to Lansdowne, 13, January 23, 1903; Herbert to Lansdowne, 19, January 24th. F. O. 420/212.

> Upon the whole therefore I am sanguine, but it wd be a misfortune if the U. S. Govt. were to exhibit too much interest in the proceedings, & anything like officiousness on their part, &, still more, the appearance of dictation, wd do endless harm here & perhaps spoil the game altogether. You may possibly see your way to giving Mr Hay a hint in this sense. He seems to me to be always friendly & tactful, but his colleagues may be less so.[1]

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[1]Lansdowne to Herbert, January 13, 1903. Lansdowne Papers, U. S., vol. 28.

[2]Herbert to Lansdowne, 13, January 23, 1903; Herbert to Lansdowne, 19, January 24th. F. O. 420/212.

Americanism) the underdog, not I, and then he came down. He is very adverse to putting anything on paper, and he complains of the way I insisted on this point stating that he had expected we should treat each other like gentlemen!"[1] But despite such divergent opinions on diplomatic and gentlemenly behavior, the first obstacle was seemingly surmounted.

There were also some early signs that the Germans were going to be, as Lansdowne later put it, "fussy & fond of raising unnecessary points."[2] For example, even before Bowen had been accepted, Berlin suggested adding new demands for satisfaction for the imprisonment of German subjects and the Venezuela attacks on German property during the early days of the coercion. And after accepting Castro's reply of January 8th, they still wanted to press the Venezuelan

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[1]Herbert to Lansdowne, private, January 30, 1903. Lansdowne Papers, U. S., vol. 28. According to Bowen, Herbert promised to raise the blockade if the British conditions were accepted. Bowen, op. cit., p. 264. It is not clear from Herbert's reports whether he made such a promise, but, when he sent the Foreign Office Bowen's acceptance of the conditions on January 23rd, he told them that Bowen expected it raised "with or without the consent" of Germany and Italy. And in a later despatch he argued that Bowen was justified in expecting this. However, the Foreign Office told Herbert that the decision was to be made by the three powers when they were ready to do so. See Herbert to Lansdowne, January 23rd; Lansdowne to Herbert, January 25th; Herbert to Lansdowne, January 26th. F. O. 420/212.

[2]Lansdowne to Herbert, February 20, 1903. Lansdowne Papers, U. S., vol. 28.

dictator for more precise information on the payments of the first rank claims before they began the negotiations with Bowen. To Lansdowne, new demands would "introduce an inconvenient complication," and the payments of the claims was a matter to be discussed with Bowen rather than Castro. On both of these points the Germans gave way, but the last word had by no means been said on the payment of the German first class claims.[1]

Meanwhile the change of German representatives at Washington seemed to bode well for the future. The first diplomatic casualty of the Venezuelan entanglement was the German ambassador Holleben, who was recalled in early January, apparently paying the price for his failure to warn the Kaiser of the true state of affairs. While the German Chargé d'Affaires, Count von Quadt, was left to handle the early negotiations with Bowen, the Kaiser decided to send Baron Speck von Sternburg, a personal friend of President Roosevelt, to Washington. On January 22nd Bernsdorff told the Foreign Office that Sternburg was on his way "with more detailed verbal instructions exactly in accordance" with those sent to Herbert, and once again there were assurances

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[1]Lansdowne to Lascelles, December 31, 1902. F. O. 420/206. Lansdowne to Lascelles, January 15 and 22, 1903. F. O. 420/212. Lansdowne minute on Metternich's memorandum of January 10th. F. O. 80/479.

that his government "were most desirous of acting on every point in agreement" with the British.[1] As Quadt had supposedly secured Bowen's acceptance of the German conditions, there was still cause for optimism.

The darkest cloud forming over the negotiations at this stage was caused by the German blockading squadron rather than the diplomats. According to Commodore Scheder, the Panther was fired upon by Fort San Carlos while crossing the bar at Maracaibo on January 17th, and four days later the German commander bombarded and destroyed the fort. Neither Admiral Douglas nor Commodore Montgomerie had been consulted, and Douglas was quick to telegraph the Admiralty that he did not intend to support Scheder's action. "I entirely disagree with his action. I saw him last week and no mention was made of his intention." The Admiralty was happy that he understood "so fully" their orders of December 16th: "It is of the utmost importance that His Majesty's ships should not be implicated in any indiscreet or violent action, and that matters should be kept as quiet as possible pending negotiations." However the storm of protest that arose against her partner's new naval exploit did create a climate of opinion in the United States that worried the British diplomats. Herbert was "very nervous as to what

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[1]Lansdowne to Lascelles, January 22, 1903. F. O. 420/212.

was going to happen, for complications with Germany mean trouble with us," and, as he later wrote, the "friendly feeling towards us began to change after the unfortunate bombardment of Maracaibo." In London, while making one of his usual warnings about American opinion, White found Balfour "much annoyed and perturbed" over the German bombardment.[1]

It soon became obvious too that all was not going well at Washington. Two thorny issues came up that threatened to wreck the entire proceedings: the Germans wanted payment for all of their first rank claims immediately, and both the Germans and the British refused to have their claims treated on the same footing with the claims of the other non-blockading powers.

The British and the Germans saw eye to eye on the question of preferential treatment from the beginning. On January 15th Metternich had expressed "some alarm" over the implication in Castro's reply of January 8th that Bowen was to deal with the claims of other powers against Venezuela as

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[1]Douglas to Admiralty, January 23, 1903, in Admiralty to F. O., January 23rd; Admiralty to F. O., January 24th; Douglas to Admiralty, January 26th, in Admiralty to F. O., January 26th. F. O. 420/212. Herbert to Lansdowne, January 30th and February 10th, Lansdowne Papers, U. S., vol. 28. White to Hay, January 24th, State Department Despatches, Great Britain, vol. 206. See also Richthofen to Quadt, January 24th. Die Grosse Politik, pp. 274-75.

well as their own. Lansdowne seemingly did not anticipate trouble over this, but he did agree that there was a basic difference.

> I said that it seemed to me that the blockading Powers stood on an entirely different footing from the rest, and that, in my view, it would be impossible for us to allow our Representatives to take part in a general discussion at which a number of other Powers would also be represented.[1]

Unfortunately, nothing had been said about preferential treatment in the reservations or conditions accepted by Venezuela, and Bowen would be able to argue, with some justice, that it was a new demand. On this point it would have been better for the Foreign Office if they had shared some of the German "alarm."

The problem came up during the negotiations in connection with the security offered by Bowen for the second class claims. Bowen proposed that 30% of the customs receipts of the ports of La Guayra and Puerto Cabello be turned over to Venezuela's creditors each month, and, if Venezuela failed to do so, the creditor nations were authorized "to administer the said two custom-houses, putting in Belgian officials . . . until the entire foreign debt is paid." To the Foreign Office the proposal was "satisfactory in principle," but there were certain questions that needed

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[1]Lansdowne to Lascelles, January 15, 1903. F. O. 420/212.

clarification. Was the security adequate, and, more important, was the 30% to go to the blockading powers or to all creditors? If the 30% yield--estimated at £213,000 a year--was to pay for the entire foreign debt of over five million pounds plus the claims of the blockading and the non-blockading powers--estimated at £900,000 and over £1,400,000 respectively--it was obviously not good security.[1]

Herbert was decidedly in favor of accepting. Britain was indirectly sharing in the increasing irritation in Washington over the German bombardment. There was a feeling "of intense irritation" in the United States against Germany "and in default of an early settlement there may be an outthrust of feeling which may produce a strained situation, and place the President in a position of serious embarrassment." Even if the claimants had to wait for the money the security was good. In addition, Bowen believed that within a few months some financial syndicate in New York would

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[1]Herbert to Lansdowne, 13, January 23, 1903; Lansdowne to Herbert, 11, January 24th, and 14 of January 26th. F. O. 420/212. Bowen told Herbert that 30% of the revenues of the two ports were all that Venezuela could afford as 25% of the Venezuelan customs were already earmarked for local state government and 13% for existing diplomatic claims. However, he later wrote that he told Castro originally that he would agree to 35% of the revenues of the two ports and pay interest on the claims, "but I decided after meeting the Ambassadors in Washington that I would offer them only thirty per cent, without interest; and as I expected it never occurred to them to seek better terms." Bowen, op. cit., p. 267.

finance the entire settlement, and talks with representatives of two of the syndicates led Herbert to the same conclusion. He assured Lansdowne that the 30% was not intended for the foreign debt but only to pay the claims for compensation, which, if not financed by a syndicate, would be settled in about ten years.[1]

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[1]Herbert to Lansdowne, 15, January 23, 1903, 17 of January 24th, 20 of January 25th, and 21 of January 26th. F. O. 420/212.

The possibility of a syndicate financing the settlement came up a number of times during the negotiations, and there was one attempt to arrange Venezuela's finances before the coercion got underway. According to Isaac Seligman of I. and W. Seligman and Company, he was first approached on the subject by the Venezuelan consul in London in November of 1902. As Seligman wanted the "moral support" of the United States, he had his nephew in New York go to Washington to talk with Roosevelt and Hay. On December 5th, the Secretary of State cabled the American representatives in London and Berlin that Roosevelt would be glad if an arrangement could be concluded that would avert the use of force, but he was careful to point out that the United States "would assume no obligation whatever in the nature of a material or moral guarantee of the liabilities created by the transaction." The instruction was only sent for information in case an inquiry was made. According to White, he passed it on informally to Balfour "one day when I chanced to meet him, shortly after its receipt," but there is no record of the Prime Minister informing the Foreign Office of it.

During the critical days in December just before the British and German acceptance of arbitration, White, on his own initiative, contacted Seligman to find out the present status of the plan. On December 17th the banker replied that the Venezuelan consul had requested permission from Castro to allow him to tell the British government that negotiations were in progress. As Castro had not replied, Seligman suggested that the State Department contact the Venezuelan President through Bowen and ask him if he desired such a settlement. On December 19th Hay told Bowen that several financial institutions were interested in financing the claims and asked if Castro wanted the United States to

Unfortunately, Bowen also insisted that each of the creditor nations would get a share of the 30%, claiming that he stood "committed" to the non-blockading powers, and that it would be impossible to give priority. The most he would agree to were shares proportionate to the size of each country's claims. This was not enough for Lansdowne. As he instructed Herbert, the British government "cannot admit that pledges given by Mr. Bowen to the Powers which are not engaged in the blockade are binding on this country, and His Majesty's Government cannot accept a settlement which would force them to place their claims with those of non-blockading

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use its good offices. Venezuela thought the idea was premature "at present."

There is nothing in the British records to suggest that the Foreign Office knew about these feelers to Castro from Seligman and the State Department, but on December 31st Herbert did report that there were "three or four wealthy New York Syndicates" ready to pay Venezuela's claims in the event of an award. When the subject of the syndicates came up in January, the Foreign Office suggested that Herbert try to get their assistance, but Bowen refused to have anything to do with them as a method of settlement. In March, after the signing of the protocols, Herbert reported that Roosevelt seemed to favor the Seligman scheme if it did not entail any guarantee from the United States. In any event, nothing came of all the financial backstage maneuvering. See Hay to White, December 5, 1902; White to Hay, December 18th, and despatch 1003 of December 19th. State Department Despatches, Great Britain, vol. 206; Herbert to Lansdowne, December 31st, and 25 of January 27, 1903, and Lansdowne to Herbert, 14, January 26th. F. O. 420/212; Herbert to Villiers, January 5th. F. O. 80/479. See also Munro, op. cit., pp. 69, 71; Bowen, op. cit., p. 273; Perkins, op. cit., pp. 409-10; Rippy, The Caribbean Danger Zone, pp. 141-43. Herbert to Lansdowne, March 20 and 21, 1903. F. O. 420/214.

Powers." Lansdowne did not insist that all of the 30% go to the blockading powers, but he was demanding a separate arrangement for a portion of the customs receipts adequate to pay off the British, German, and Italian claims in a suggested six year period.[1]

The Foreign Secretary already regretted the decision to negotiate with Bowen. On January 28th he despatched a private telegram to Herbert that reflected his misgivings:

> Bowen does not seem to be behaving very well. I should be glad to have privately your impression of him. If he will not meet us reasonably, we shall have to break off and fall back on the Hague. You should let him understand plainly that public opinion here has to be reckoned with.

The British ambassador's opinion of Bowen was "not good." He had "behaved badly" in communicating his version of the negotiations to the press, and had tried to "sow discord" between von Quadt and himself. "I have been very careful to conceal my impression of him & one has to take American diplomatists as one finds them." But despite his tribulations, he was opposed to ending the negotiations as "the tension here is very great & I realize the danger of an explosion of public opinion if the blockade continues much longer."[2]

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[1]Herbert to Lansdowne, 20, January 25, 1903, and 25 of January 27th; Lansdowne to Herbert, 16, January 28th. F. O. 420/212.

[2]Foreign Office to Herbert, private, January 28, 1903; Herbert to Lansdowne, private, January 28, 1903. Lansdowne Papers, U. S. vol. 28.

Caught between two fires, the unhappy Herbert tried to carry out Lansdowne's instructions for a separate ar-- rangement. On January 29th, Herbert and the German and Italian representatives put their case once again to Bowen, but the American proved "very obdurate." Bowen argued that the question of preferential treatment should have been raised at the beginning of the negotiations, that it was "unjust, unfair, and illegal" in regards to other countries, and if "I recognize that brute force alone can be respected in the collection of claims I should encourage the said other nations to use force also." His only concession was to promise to the blockading powers the customs for one month if the demand for preferential treatment had been raised "simply as a point of honour."[1] The question was seemingly deadlocked.

While the British and the Germans were in general agreement on the matter of priority, the dispute between Bowen and the Germans over the payment of the German first class claims became an acute embarrassment for the British. In the pledge between Lansdowne and Metternich the previous November during the planning stage of the coercion, the British had particularly bound themselves to aid Germany in regards to these claims. While Metternich had admitted a

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[1]Herbert to Lansdowne, 31, January 29, 1903. F. O. 420/212.

"sharp distinction" between the first rank claims of the two countries, they were "to stand or fall together." When the Germans put their claims into categories they had designated those arising out of the Venezuelan civil war of 1898-1900 as those of the first rank. They were made up of complaints from German merchants and landlords in Venezuela against the government for the plundering of homes and lands, for extorting forced loans, and for appropriations of supplies without payment. These had been reviewed by the legal department of the German Foreign Office, and in some cases reduced, and thus were not considered arbitrable by the German government.[1]

One of the criticisms leveled against the British government during the Parliamentary debate in December was the charge that Britain had foolishly bound herself to collect German debts. Metternich now forgot his previous "sharp distinction" and hastened to send Balfour a memorandum on the German claims that had been presented to the Reichstag on December 9th.

> In reading the last debate in the House of Commons on Venezuela I noticed that you were hard pressed as to the nature of the German first-rank claims against Venezuela. . . . You will gather from this document that the German claims arising out of the civil wars from 1898 to 1900 are put forward on account of ill-

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[1]Memorandum from Metternich of February 10, 1903. F. O. 420/213.

> treatment of German subjects, plundering and devastation of property, committed partly by the organs of the Venezuelan Government. . . . You will observe that these demands are not for unpaid debts, but for ill-treatment of German subjects, and that the only difference in the nature of the first-rank English or German claims is that the one refer to ill-treatment on sea, the other to ill-treatment on land.[1]

When Bowen accepted the British conditions at the beginning of the negotiations in January, he attempted to persuade the Foreign Office to accept payment for the British first class claims out of the customs receipts rather than in cash, but Lansdowne refused on the grounds that they were "of a different nature to any others, and, although trifling in amount, are of the first importance in principle." While holding firm on their demand for immediate payment of £5,500, the British were under the impression that Germany would be content with accepting security for theirs--estimated now at £66,000.[2] But they were soon dismayed to find that Berlin also wanted immediate payment of their first rank claimants.

Balfour, who was now faced by strong pressure for

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[1]Metternich to Balfour, December 17, 1902. Balfour Papers, 49747.

[2]Herbert to Lansdowne, 14, January 23, 1903; Lansdowne to Herbert, 11, January 24th. F. O. 420/212. In their ultimatum before the intervention, the British had demanded an immediate payment equal to that paid to Germany. By the time the negotiations started with Bowen, the Foreign Office was only demanding the estimated £5,500 for their first class claims.

an immediate settlement even within his own Cabinet, was particularly unhappy.[1] Unconvinced by Metternich's explanations, the Prime Minister equated the German first class claims with the British second class, and as he wrote to Lansdowne, the "new situation created by the last German demand is embarrassing." If they prolonged the blockade by further negotiations, he feared the risk of dangerous complications. On the other hand, if they reversed their instructions to Herbert that immediate payment of the British first class claims was sine qua non, "our parliamentary position will be much endangered--and the statements that we have been acting throughout as Germany's catspaw will receive apparent confirmation." Balfour preferred the latter risk, but would "it be impossible to induce the Germans to be content with a cash equivalent in amount towards their (so called) 1st class claims equivalent in amount to that which we have demanded?" This would "save their face & our face" at a cost of only £11,000 to Venezuela immediately.[2]

Villiers hastened to Metternich with Balfour's

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[1]According to White: "Strong representations have been made to the Prime Minister from influential quarter inside the Cabinet as to the necessity for immediate termination of situation by raising blockade even if severance from Germany necessary." White to Hay, January 28, 1903. State Department Despatches, Great Britain, vol. 206.

[2]Balfour to Lansdowne, January 27, 1903. F. O. 80/480.

request, and very frankly pointed out that a German refusal would endanger the Cabinet and adversely affect Anglo-German relations. It looked as if everyone's face was saved when the Germans immediately answered that they would agree to ask for only £5,500 in cash and accept a first charge on the customs receipts for the balance of their first class claims.[1] But on January 29th, the same day that Lansdowne sent the good news to Herbert, the bad news arrived from the British Ambassador that Bowen had refused to concede preferential treatment during the interview with Herbert and his German and Italian colleagues.

Lansdowne was more than ever inclined to break off negotiations for an immediate settlement. As he wrote to Balfour:

> I am disturbed by Herbert's report of his impression of Bowen, who is I am afraid not behaving well. Unless you can suggest some ingenious mode of turning the difficulties which have arisen, I should be disposed to instruct Herbert that we have come to the conclusion that we had better give up the attempt to settle at Washington and that he is now to arrange with Bowen the preliminaries for a reference to the Hague.
>
> The tone of Bowen's language strikes me as most objectionable.
>
> What Herbert says as to the tension at Washington is no doubt true, but if we settle terms for the

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[1]Metternich to the Foreign Office, January 27, 1903, and Richthofen to Metternich, January 28th. Die Grosse Politik, pp. 278-80; Lansdowne to Herbert, 19, January 29, 1903. F. O. 420/212.

Hague, we should of course raise the blockade.[1]

On January 30th Lansdowne cabled Herbert that Britain could only accept equal footing with the non-blockading powers at the ruling of a competent tribunal of arbitration. Therefore he was to arrange preliminaries for the Hague, unless President Roosevelt, "in the interests of a prompt settlement," were to decide the question of preferential treatment, "the only point which seems to be an obstacle." Perhaps the idea to invite Roosevelt to arbitrate again was Balfour's "ingenious mode of turning the difficulties," but there is no question that it was aimed at American susceptibilities. White was immediately called to Lansdowne House for an interview with Lansdowne, Balfour, and the First Lord of the Admiralty. They told White that they regretted that a deadlock had been created by Bowen's demands for equal treatment to all creditors and informed him of their instructions to Herbert to ask Roosevelt to arbitrate on the disputed point.[2] In actual fact the Foreign Office doubted that Roosevelt would accept and they thought that the Germans might object to inviting him, but everyone was getting

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[1]Lansdowne to Balfour, January 29, 1903. Balfour Papers, 49728.

[2]Lansdowne to Herbert, 21, January 30, 1903; and 23 of January 31st. F. O. 420/212. White to Hay, January 30, 1903. State Department Despatches, Great Britain, vol. 206.

rather desperate at this point.[1]

Meanwhile Herbert was also bombarding the Foreign Office with suggestions that would salvage some settlement at Washington. If Bowen's hands were tied, perhaps Britain, Germany, and Italy could make some arrangement with the non-blockading creditors? Villiers thought this was impractical, and Lansdowne agreed: "I would certainly not make overtures to the other Powers on this point. To do so would be an indication that we thought our case weak, and they would almost certainly create difficulties." Herbert's next suggestion was an agreement with the other powers for priority for a sum equal to the expenses of the blockade. "Our amour propre would thus be safeguarded, and we should be provided with a parte de sortie." The Foreign Office viewed this with equal scepticism. But Herbert had not given up. Perhaps the blockading powers could draw up protocols embodying all the points that had been accepted by Bowen? These could be signed at Washington and only the question of priority need go to the Hague. Herbert was worried by rumors in Washington that the United States, France, and other nations with claims were going to protest preferential treatment, and he was sure that the United States and France would

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[1]Lansdowne to Villiers, January 31, 1903. F. O. 80/480.

consent to his latest scheme.[1]

Herbert's last plan was promising, and it could be combined with the proposed invitation to Roosevelt. But at the same time Villiers had worked out his own scheme which was an elaboration on Lansdowne's idea of a separate agreement giving a part of the 30% to the blockading powers: if Britain, Germany, and Italy were given approximately 2/3rds of the 30% returns of the two customs houses, their claims would be paid off in about 6-1/2 years. By an earlier protocol Venezuela had already pledged 13% of its customs to a number of its creditors. By Villiers' arithmetic, this sum plus the 1/3rd of the 30% remaining for the neutrals equalled the sum to be pledged to the blockading powers. Thus a 2/3-1/3 split would make both groups even. The neutrals could

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[1]Herbert to Lansdowne, 33, January 30, 1903; 38 of January 31st; and 41 of February 1st. F. O. 420/212 and F. O. 420/213. Minutes by Villiers and Lansdowne to telegram 33, and Villiers to Lansdowne, February 1st. F. O. 80/480.

Herbert asked Hay on February 1st if it was true that the United States intended to protest. Hay replied that the only action taken by his country was a note to Bowen "demanding for the claims of the United States the same treatment as that accorded to those of other Powers." Ambassador Monson at Paris asked Delcassé the same question regarding France. Delcassé professed complete ignorance on the subject, and said "he could have given no instructions of any kind, as he had no accurate knowledge of the question. . . ." However the French chargé at Washington did contest the British and German position. See Herbert's 41 cited above, and his 40 of February 1st; Monson to Lansdowne, February 4th. F. O. 420/213.

make their own arrangements and everyone would be happy.[1]

To Lansdowne, Villiers' figures proved that there ought to be room for a settlement in which the non-blockading powers would get terms "almost as satisfying as ours," and was better than either a decision by Roosevelt or by the Hague. The Prime Minister was ready to try anything that might work. As he wrote to Villiers:

> I have no objection to the compromise you suggest, if we could produce an immediate settlement.
> As you are aware I myself proposed to Lord Lansdowne that, after the first rank claims were settled, the powers might share alike in the available assets of Venezuela--it was Mr. Bowen's attitude that seemed to render this impossible--Your plan might afford the basis of a compromise. . . .[2]

It was decided that Herbert would first try to get an agreement along the lines of the Villiers proposal. If this failed he was to ask Roosevelt to arbitrate on preferential treatment. Then Herbert's latest suggestion of a protocol on the agreed points would be made to Bowen. If Roosevelt had refused, the question of priority would go to the Hague.[3]

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[1]Lansdowne to Herbert, 25 and 26, February 1, 1903. F. O. 420/213. Lansdowne to Villiers, January 31, 1903. F. O. 80/481.

[2]Balfour to Villiers, January 31, 1903. F. O. 80/481.

[3]Lansdowne to Herbert, 29, February 2, 1903; 30 of February 3rd; Herbert to Lansdowne, 44, February 2nd. The protocol was drawn up at London rather than Washington at Herbert's request for fear that Bowen would suggest "tricky language." F. O. 420/213.

On February 2nd Herbert offered the Villiers' scheme to Bowen, who replied that he would consult the neutral representatives but held out no hope of acceptance. That same day Herbert heard from Sternburg, who was now in Washington, that the previous day Bowen had suggested referring the question of priority to the Hague. According to Herbert, he had been unaware of this when he had made his similar proposal to the Foreign Office.[1]

Thus it came as no surprise to the Foreign Office to hear from Washington that Bowen had turned down the proposals suggested by Villiers and had offered to refer preferential treatment to the Hague. But the manner in which he did it was infuriating to the British. Without consulting the non-blockading powers as promised, Bowen, late in the evening of February 2nd, sent his refusal and offer by letter to Herbert. In spite of another promise to cease giving information to the press, Bowen gave his answer to the newspapers at the same time he sent it to Herbert, and, according to the British ambassador, he was faced with the morning newspapers all discussing Bowen's "ultimatum, as they are pleased to call it." In addition, the letter itself was "couched in his usual style":

I cannot accept even in principle that preferential

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[1]Herbert to Lansdowne, 43 and 44, February 2, 1903. F. O. 420/213,

> treatment can be rightly obtained by blockades and bombardments. It would be absolutely offensive to modern civilization to recognize that principle. . . . Furthermore, that proposition is objectionable because it would keep the allied Powers allied for a period of over six years. Venezuela cannot, I am sure, be expected to encourage the maintenance of alliances against her. On this side of the water we want peace, not alliances.

Herbert found one sentence particularly offensive:

> And it will occasion great surprise and regret when it becomes generally known that Great Britain has ever proposed continuing her present alliance with Germany and Italy one moment longer than she must.

On the morning of February 3rd, Herbert called on Bowen and accused him of a breech of diplomatic courtesy. If he did not withdraw the offensive sentence and express regrets for publishing the letter, Herbert threatened to "refuse to negotiate with him any longer." Bowen complied and the negotiations continued. Considering Herbert's great desire to keep the talks in progress, his demand reflected extreme anger, and the same day he complained to Roosevelt about Bowen's conduct. But once again the damage had been done. Bowen's statement that preferential treatment for six years meant a continuation of an anti-American alliance "has unquestionably produced an unfavourable effect here."[1]

The one bright spot in the whole proceedings was the

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[1]Herbert to Lansdowne, 45, February 3, 1903; despatch 35A of February 3rd, F. O. 420/213. Herbert to Lansdowne, private, February 4th. F. O. 80/481.

German tendency to continue to follow the British lead. When Metternich heard of the British plan to invite Roosevelt to arbitrate on preferential treatment, he reacted "with some apprehension," and "felt no doubt that the President's decision would be adverse to us." But the German reaction was "less hostile" than Lansdowne expected. Berlin wanted Sternburg "to remain squarely in line" with Herbert, and ordered him to support the British arbitration proposal.[1]

On February 3rd, after Bowen's refusal of the six year scheme, Lansdowne now ordered Herbert to ask Roosevelt to arbitrate the disputed point, but the invitation was delayed at Sternburg's request. The new German representative was more than anxious for a fast settlement. On arriving at Washington on January 31st he had immediately conferred with Roosevelt and was under no illusions as to the seriousness of the situation there, but, when he met with Bowen, the American diplomat had a new offer that Sternburg hoped might avoid arbitration entirely. Bowen's newest offer was to turn over the entire 30% to the blockading powers for a period now of three months. At Sternburg's request, Herbert

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[1]Lansdowne to Lascelles, 39 and 39A, January 30, 1903. F. O. 420/212; Bernsdorff to Villiers, February 2nd; Lansdowne to Lascelles, 42, February 2nd. F. O. 420/213. Lansdowne to Villiers January 31st. F. O. 80/481. Bulow to Metternich, February 4th, Die Grosse Politik, pp. 286-87. Herbert to Lansdowne, 51, February 5th. F. O. 420/213.

promised to postpone the invitation to Roosevelt until February 6th. Although he had already received instructions to support the invitation, Sternburg hoped for a favorable answer from his government. According to Herbert, Sternburg had received "much credit in the press here for the latter proposal, which is his especial child," and he was "anxious that it should be pushed through. Provided that a settlement is reached, it is a matter of absolute indifference to me which proposal is accepted."[1]

Nothing resulted from Bowen's newest maneuver except the delay. Metternich thought the offer "altogether inadmissable," and Lansdowne was equally unimpressed as the three months customs receipts would not have covered the British and German first class claims. If the offer had been in addition to payment of the first class claims the British might have considered it. Metternich agreed, being careful to remark that the first class claims were to the Germans "a point of honour" and that he trusted that the British would continue to back their partner over them.[2]

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[1]Herbert to Lansdowne, 47, February 4, 1903, and 51 of February 5th. F. O. 420/213. Sternburg to the Foreign Office, February 3rd, Die Grosse Politik, pp. 285-86. For Sternburg's talks with Roosevelt on January 31st and February 3rd, see Beale, op. cit., pp. 425-26.

[2]Lansdowne to Bertie, 26A, February 4, 1903; to Herbert, 36 of February 5th; to Lascelles, 46A of February 5th, and 48A of February 6th. According to Metternich,

Berlin and London both rejected the three month offer in favor of the planned arbitration, and on February 6th, the formal invitation was passed on to Hay. On being assured that the blockade would end as soon as the protocols were signed referring priority to the Hague, Roosevelt, as expected, immediately declined.[1] If Bowen could now be induced to sign the protocols that had been drafted by the foreign offices of the blockading powers, all would be well.

Unfortunately for the nervous British statesmen the haggling continued, for both the Italian and German protocols were unacceptable to Bowen. The major point of dispute once again was the problem of payment for the German first class claims. Bowen had already agreed to pay both Germany and Italy £5,500, a sum equal to the payment of the British first class. But the Germans still wanted a first charge on the customs receipts for the balance, and their protocol demanded that the 30% be assigned to the German minister at Caracas each month in order to "clear off the rest." Herbert thought it was "preposterous" for the Germans to insist on priority for her first class claims when the general question

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Bulow thought that Bowen was trying to detach Germany from Britain by means of special inducements to Sternburg, and the Germans had no intention of being influenced by such "machinations." Lansdowne to Lascelles, 45A of February 4th. F. O. 420/213.

[1]Herbert to Lansdowne, 54, February 6, 1903; 56 of February 7th. F. O. 420/213.

of priority was being referred to arbitration, but the unhappy Foreign Office knew they were committed to back the German position.[1]

The situation was made more complicated at this point by the Italians. Until now the Italians had docilely followed their partners and had played little part either in the blockade or in the diplomatic decisions. They had accepted the principle of arbitration in December and had agreed in January to deal with Bowen, their only condition being equal treatment with Britain and Germany for "analogous" claims. The British and Germans assumed that all of the Italian claims were "second class," but the Italians evidently felt that many of their claims were "analogous" to Germany's first class ones. According to Herbert, the Italian ambassador at Washington was demanding equal treatment with Germany on priority for claims totaling £112,000 in addition to the promised £5,500. Herbert, who was opposed to supporting the German demand, was even more unhappy about the new hitch.[2]

Lansdowne was in no mood for new complications. "As

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[1]Herbert to Lansdowne, 55 and 57, February 6, 1903. F. O. 420/213.

[2]Lansdowne to Rodd, December 26, 1902. F. O. 420/206. Rodd to Lansdowne, January 8, 1903. F. O. 420/212. Herbert to Lansdowne, 54 of February 6th, and 55 of February 6th. F. O. 420/213.

for the Italians," he wrote Villiers, "we shall certainly not fight their battle. . . . They must see that we are not bound to them as we are to the Germans." Lansdowne immediately made his views quite clear.

> I lost no time in asking the Italian Ambassador to call, and pointed out to him that not a word had been said about the existance of such claims all through our negotiations with Italy. On the contrary, frequent mention had been made of the first-rank claims of Great Britain and Germany, and the Venezuelan Government had given assurances with regard to them. This new Italian demand would, I feared, complicate the situation still further, and I therefore earnestly expressed the hope that this demand would not be seriously maintained.[1]

The situation was gloomy once again. Even if the Italians withdrew their demands, the obligations to the Germans remained. Hopes for any settlement with Bowen seemed increasingly dim. Earlier in the month Herbert had charged Bowen with inspiring press reports that Sternburg and himself were adopting different policies, and that Britain and Italy were the obstacles to a settlement. And on February 6th, Lansdowne learned by way of the Germans that Bowen had reportedly told the Italian ambassador "that the main principle of his diplomacy was to create discord between Baron Speck von Sternburg and Sir M. Herbert."[2] Lansdowne and

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[1]Lansdowne to Bertie, February 7, 1903. F. O. 420/213. Lansdowne to Villiers, February 8, 1903. Lansdowne's note to Villiers is misdated 1902 and filed in F. O. 80/443.

[2]Herbert to Lansdowne, 49, February 4, 1903; Lansdowne to Lascelles, 48A, February 6th. F. O. 420/213. Herbert also

Balfour were haunted by the rapidly approaching opening of Parliament. Was anything to be gained from Bowen except more delay?

On February 7th the Foreign Office instructed Herbert that Britain was not opposed to the German demand for priority for their first class claims. Moreover, it seemed in London that perhaps the time had come to go back to the plan to refer everything except the first class claims to the Hague.

> We should not be sorry to break off negotiations with Mr. Bowen, as his object seems to be to create dissention among the Powers, and not to facilitate an equitable settlement.
>
> Moreover, for Parliamentary and other reasons, it is absolutely necessary that there should be no further delay in effecting a settlement. Should Mr. Bowen, therefore, show an indication to cause further delay by making difficulties over the Protocol, we think it would be better that the endeavour to effect a direct settlement with him should be abandoned, and you should propose that the alternative of referring the questions in dispute to the Hague Tribunal should be reverted to.

Herbert was horrified at the thought. The night before Bowen had refused to accept the article in the German protocol asking for priority for her first class claims, and the British ambassador now fired off a rather outspoken reply to home. The British had obtained "all that we originally asked for" except preferential treatment which was to

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reported "clumsy efforts" by Bowen to create ill feeling between him and Quadt. Herbert to Lansdowne, private, January 30th. Lansdowne Papers, U. S., vol. 28.

go to the Hague, and a settlement could be reached immediately "if we were alone." The Germans and Italians had no one to blame but themselves, "inasmuch as they did not, as we did, make their conditions clear to Mr. Bowen at the outset." Thus it would be "folly" for Britain to take the lead in ending the negotiations, and if the British were "bound" to support the "unfair" German and Italian conditions, let the proposal to break off negotiations come from Germany.

The British ambassador advised the Foreign Office to apply pressure on Germany and Italy to modify their protocols. A "great change" had taken place in American feelings towards Britain since late December, and Herbert warned "that our good relations with this country will be seriously impaired if this Alliance with Germany continues much longer." "The time has almost come, in American opinion," he concluded, "for us to make the choice between the friendship of the United States and that of Germany."[1]

Herbert's blunt advice struck home and the negotiations continued, but Lansdowne was understandably loath to make the choice that "American opinion" demanded. He had already spoken to the Italians, but he was reluctant to abandon Germany. As for the Germans, he wrote Villiers, "the

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[1]Lansdowne to Herbert, 41A and 44 of February 7, 1903; Herbert to Lansdowne, 58 and 58A of February 7th. F. O. 420/213.

moment cannot have come for putting pressure on them as Herbert suggests. And I trust that we may hear that some means have been found of satisfying them as to the balance of their first rank claims."[1]

The dispute between Germany and Bowen was now in the area of semantics. Bowen not only claimed that the German demand was inconsistent, but that the German conditions he had signed at the beginning of negotiations in January had not mentioned an immediate guarantee of payment. Bowen had agreed that the German first class claims were to be exempted from arbitration, "and to either pay the said amount cash without any delay or, should this be impossible, to guarantee the speedy payment of them by warrants which are deemed sufficient by the Imperial German Government." But what constituted a guarantee of "speedy payment"?

Bowen also argued that the £5,500 promised to the Germans had been a "compensation" for not insisting on immediate payments of all of their first class claims. Had Chargé von Quadt blundered, as Herbert believed, and "overreached himself" in his anxiety to get a cash payment equal to Britain's? Sternburg seemingly agreed. On February 8th Herbert reported to the Foreign Office: "I drew from the German Minister to-day an admission of what I have insisted

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[1]Lansdowne to Villiers, February 8, 1903. F. O. 80/443.

on from the beginning, namely, that there has been a misunderstanding respecting the German conditions, and that a mistake was made by the German Chargé d'Affaires."[1]

If Sternburg reported this opinion to his government they were evidently unimpressed. On February 9th, Metternich told Lansdowne that Berlin had decided to refuse to sign the protocol or raise the blockade until their first class claims "had been settled in a satisfactory manner," and they trusted that London would order Herbert to make a similar statement to Bowen. The Foreign Secretary was now ready to apply some pressure on his reluctant partner. He admitted the right of Germany for satisfaction on the first class claims, but he also explained "most frankly" the seriousness of the situation.

> I was, however, bound to tell his Excellency that the situation which was being created by the unfortunate prolongation of these negotiations at Washington and the continuation of the blockade of the Venezuelan ports was most serious. We were warned by Sir M. Herbert as to the danger of an explosion of public feeling in the United States. In this country, too, the tension was becoming acute. I feared that the position of His Majesty's Government might become intolerable if, when Parliament met, it were found that although our own demands had been complied with, we had broken off negotiations on account of difficulties arising in consequence of the terms demanded by Germany for the payment of claims, the nature of which, it was well-known, differed materially from that of our own.

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[1]Herbert to Lansdowne, 61, 63, February 8, 1903; and despatch 23 of January 24 (received 9 February). F. O. 420/213.

Metternich retorted that the British second class claims were much larger than his country's, and that many of the German first class were not "too different" from the British first rank claims. But above all, the "whole action" of Germany had been based on their first class claims. "If it had not been for these claims they would never have resorted to coercion." Lansdowne admitted that Metternich's arguments had some validity, and countered with an offer to continue to uphold the non-arbitral nature of the claims, and to agree that in any settlement arrived at the German first class claims would get preference over all other British claims other than those covered by the £5,500.[1]

While Berlin was considering its answer, Lansdowne believed the time had come for more pressure on his other partner. Rome had replied to Lansdowne's first complaint with an assurance that Italy had presented no first class claims nor did they intend doing so. Bowen had "spontaneously" offered a payment of £5,500, and as the reported £112,000 represented all of Italy's claims, it was obvious that there was some misunderstanding. Lansdowne was not satisfied. On the same day that he talked to Metternich, he also was equally frank with the Italian ambassador. Lansdowne pointed out that the persistent reports from

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[1]Lansdowne to Herbert, 47, February 9, 1903; and to Lascelles, 51, February 9th. F. O. 420/213.

Washington that the Italian representative there was pressing for identic treatment with Germany "was viewed by His Majesty's Government with serious concern." He was to tell Rome that Britain "could not possibly support the Italian Government in making such a demand."[1]

The German reply, on February 10th, to Lansdowne's offer of the previous day was not encouraging. Germany was also pressuring Italy to give up her "first class" claims, and, if she did, Berlin still thought that Bowen would give way to the German demand. They were "extremely gratified" at Lansdowne's loyalty, and thanked him for his offer.

> They felt, however, that it was one which it would be difficult for them to accept. The prompt settlement of their first-rank claims was with them a point of honour. If those claims were to be satisfied merely by the postponement of the British and Italian claims, the sacrifice would be ours, not that of the Venezuelan Government. The German Government feared that if such an arrangement were to be made it would be severely criticized, and would lead to unfavourable comments both in this country and in Germany.[2]

Germany had seemingly not responded to what Lansdowne told White very confidentially had been a "hint" to Metternich that Britain might be forced to sign her protocol alone.[3] Welcome news came on the 11th that Rome had

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[1]Lansdowne to Herbert, 45, February 8, 1903, and 46 of February 9th. F. O. 420/213.

[2]Lansdowne to Lascelles, 54, February 10, 1903. F. O. 420/213.

[3]While telling White this, Lansdowne continued to defend the German position. Lansdowne told White that

ordered her representative in Washington to propose terms of a "conciliatory nature," but the ending of the blockade still depended on the Germans.[1]

The only ray of hope came from Washington, where Herbert, on February 10th, had "one more go" at Bowen, using his "only weapon," the fact that Bowen "does not want to go to the Hague for the whole settlement anymore than we do." Herbert, "by dint of alternately flattering him and threatening him with the Hague," was able to get a new concession from the American negotiator. Bowen termed the offer of Britain to waive priority to the German first class claims a "generous action," and, if Italy did the same, he, purely in the interests of an immediate settlement, would offer £5,500 immediately to each of the three blockading powers and pay one-half of the balance of the German first class claims within 30 days. Herbert reported that Sternburg agreed with him that it was a "fair compromise," and the Italian representative also agreed to stop insisting on

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Castro had agreed on "prompt payment," and that the Germans "had a right to demand that it should be carried out. The meaning of the words 'prompt payment' might give rise for some difference of opinion, but an annuity spread over a long term of years would not, to my mind, constitute fulfillment of the condition." Lansdowne to Herbert, 48, February 10, 1903. F. O. 420/213. White to Hay, February 10th. State Department Despatches, Great Britain, vol. 206.

[1]Lansdowne to Bertie, 33, February 11, 1903. F. O. 420/213.

identic treatment with Germany when Bowen conceded that those Italian claims which were similar to Germany's first class would not be subject to arbitral revision.[1]

What did Berlin think of this newest compromise? His government, according to Metternich on the 11th, "welcomed the offer as an admission" that they were entitled to preferential treatment, but did not think that one-half was sufficient. They did not insist that the balance be paid with "equal promptitude," but they did want to put further pressure on Bowen for "a later security" for it, and they hoped for continuing British support.

Lansdowne had reached the point of complete exasperation:

> In reply, I stated that, although I did not contest the validity of the German claims of the first-rank, I could not assume the responsibility of giving encouragement to an attempt by which, if successful, still better terms would be obtained by them. Under the proposed arrangement, Germany would receive a payment of more than £36,000 immediately, which was equivalent to about 11s in the £, and would also obtain priority for the remainder, with our consent. I could not understand in what way the point of honour came into consideration, and I thought that this arrangement might certainly be held to comply with the conditions laid down in the German note of the 23rd of December, 1902.

The German government, according to Lansdowne, "would take a

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[1]Herbert to Lansdowne, 67 and 68, February 10, 1903. F. O. 420/213; Herbert to Lansdowne, private, February 10th. Lansdowne Papers, U. S., vol. 28. Herbert reported the offer as one-half within three months, but Metternich told Lansdowne it was 30 days.

serious responsibility" if they declined the offer, and it would be "impossible" for Britain to support Sternburg in trying to better the terms or "to associate ourselves" with Germany in a demand which would only prolong the negotiations.[1]

Berlin would probably have given way under this threat to withdraw British support. Metternich had warned from London of the growing dislike of the Anglo-German cooperation, and of the danger that Balfour's Conservative government might fall in the face of this feeling combined with "the American fetish."[2] But the threatened rupture between the British and the Germans was avoided when the news arrived from Washington of a new arrangement worked out by Bowen and Sternburg. In effect, Bowen had backed down and the Germans had attained their "point of honour," for in addition to the £5,500 the balance was to be paid in five

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[1]Lansdowne to Herbert, 57, February 11, 1903; and 58A to Lascelles of February 11th. F. O. 420/213.

[2]Metternich to Bulow, private, February 4, 1903, German Diplomatic Documents, pp. 164-65, and Die Grosse Politik, pp. 288-89. "If President Roosevelt loses patience," Sternburg warned, "gives way to the Yellow Press, and demands, for instance, the raising of the blockade, the British Government might fall at once. They could not stand up against the American fetish in combination with the dislike of Germany. A fresh Ministry, replacing the present one as a result of its having cooperated with Germany, would mean a serious danger to official Anglo-German relations." Bulow agreed that "Rosebery is much more dangerous than the Balfour-Chamberlain-Lansdowne Cabinet."

monthly installments from the general treasury of Venezuela.[1] The last obstacle had been hurdled by the weary negotiators. The protocols were signed on February 13th and at midnight of the 14th the blockade was lifted. The coercion of Venezuela was at an end.

If one were to evaluate the European coercion of Venezuela solely in terms of its original purpose as a claims collecting expedition, it had been a success. The first class claims were exempted from arbitration and paid promptly according to the terms agreed on with Bowen. As for the second class claims, the terms of payment turned out to be a victory for the blockading powers, despite the misgivings that many of their statesmen felt regarding arbitration. In February of 1904, the Hague Tribunal upheld the three coercing nations on the question of priority of payments. These claims, after adjudication by mixed commissions

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[1]Herbert to Lansdowne, 73, February 12, 1903; Lansdowne to Lascelles, 59, February 12th. According to Metternich, Bowen on the 11th asked Sternburg to "arbitrate" on the amount of the German first class claims and the period of payment and that he would submit to his decision.

It is possible that Bowen was under some pressure from his superiors too. On February 9th, Herbert mentioned to Hay a statement in the press to the effect that Bowen was following his advice. Hay replied that it was "entirely without truth. Mr. Bowen had paid him two or three visits, and had informed him of the manner in which the negotiations were proceeding, but that he should behave better was the only advice he had given him. An unfavourable impression, he added, had been created on the President and himself by Mr. Bowen's conduct." Herbert to Lansdowne, February 9th. F. O. 420/213.

in Caracas, were paid by 1907, while Venezuela's other claimants waited until 1912 before all of the claims were extinguished.[1]

Although the British bondholders had been unhappy over their third-class status, they were not forgotten in the final settlement. Their claims were not included in the arbitration, but the protocols of 1903 did specify that Venezuela would make a fresh arrangement of the external debt, one which should include "a definition of the sources from which the necessary payments are to be provided." The Council of Foreign Bondholders tried hard to get official diplomatic aid in seeing that this promise was carried out, but the Foreign Office, still stinging from criticism in Parliament for aiding them by force at all, told the Council to make its own arrangements. In June of 1905, the Council and the Disconto Gesellschaft finally succeeded in negotiating a new arrangement. A consolidated 3% "Diplomatic Debt" of £5,229,700 was created. The bonds of the old external debts were converted into new bonds at 72-1/2% for the 1881 debt

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[1]For a listing of the amounts claimed and the amounts paid under the protocols of 1903 to both the blockading and non-blockading powers, see Council of Foreign Bondholders, Annual Report, 1912, p. 391. On the proportion of award to claim for the second class claims, Britain received 63.76%, Germany 28.35%, Italy 7.46%. Of all the powers, the lowest percentage of award to claim was the United States at 2.78%. Venezuela also paid claims to Belgium, France, Holland, Mexico, Spain, Sweden and Norway.

[illegible] Jan. 1, 1945, while Sansregret's other claim-
[illegible] Dec. 31, 1944. [illegible] 31 the claims were extin-
guished.

[illegible]

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[illegible] Dec. 31, 1944 [illegible] 31 [illegible]
[illegible] Jan. 1, 1945 [

and at par for that of 1896. The new bonds were secured by an assignment "irrevocably and preferentially" of 25% of the ordinary customs duties.[1] The bondholders' claims had never been foremost in the calculations of the Foreign Office, but even here the intervention had led to the desired "clean slate." Venezuela made the payments punctually and left the list of defaulting Latin American states.

Such an evaluation, of course, would be completely superficial, and no one knew this better than the British statesmen involved. There was no feeling of victory at the signing of the protocols, only a profound relief that a

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[1]For the debt arrangement see Council of Foreign Bondholders Annual Report for 1905. Once again the Council tried hard to give the arrangement a "diplomatic character." Without the previous knowledge or consent of the F. O., an article was included in which Venezuela would communicate the contract to the British and German governments "intimating their readiness to accept and to execute it, and asking their assent to the constitution of this 'Diplomatic Debt.'" The F. O. refused because of the "risk of an implied obligation." The most the Council could get was a provision that the payments of the debt be made through the British and German legations. The pertinent documents are in F. O. 80/476.

The United States protested to both the British and German governments over the arrangement. On June 21, 1905, Ambassador Reid told Lansdowne that the United States "feared that such an arrangement would absorb for many years practically the whole income of the Venezuelan Customs. The just claims of the United States would be so seriously prejudiced by such an arrangement that the Secretary of State earnestly trusted that His Majesty's Government had not approved it and were not committed in any way as a party to it." Lansdowne replied in effect that the contract did not infringe on the rights of other countries and explained the position of the British government regarding it. Durand to Lansdowne, June 21, 1905. F. O. 80/476.

dangerous incident had been brought to a close. "These negotiations will leave a bad taste in my mouth for the rest of my life," Herbert wrote from Washington.[1] It was a reaction that could be heartily appreciated at the Foreign Office.

What had gone wrong? In the first place, it had not been a particularly skillful diplomatic operation. Even if one grants that the British statesmen could not have foreseen the intensity of feelings that would erupt at home and in the United States, the fact remains that little or no thought was given to such an eventuality. Even Ambassador Herbert knew little of the early negotiations with Germany, something that Lansdowne later admitted "was quite wrong."[2] In spite of the solicitude shown for the reactions of the American administration, the British statesmen had been rather narrow and naive in basing their calculations upon the supposed "acquiescence" of official Washington.

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[1]Herbert to Lansdowne, private, February 13, 1903. Lansdowne Papers, U. S., vol. 28.

Describing the British Ambassador during the negotiations, Henry Adams wrote: "Herbert rushes--or rather shuffles, about--desperately trying to straighten things out, and worried half threadb.re." Quoted in Beale, op. cit., p. 424.

[2]Lansdowne to Herbert, December 27, 1902. On January 2, 1903, Lansdowne again wrote: "I am very sorry that you were not kept fully informed as to the course of the negotiations here, & I have given instructions that the Office is to be more careful for the future." Lansdowne Papers, U. S., vol. 28.

It is also clear that not enough attention was paid to the types of claims that were linked together in the bargain with Germany. The idea of formally ranking the claims had come from Berlin, and the Foreign Office had made no objections to the German "first class" ranking. When the character and size of these claims later became an embarrassment, the Foreign Office had no one to blame but themselves. Then too the question of preferential treatment should have been settled earlier. Germany and Britain knew of the existence of sizeable claims against Venezuela by nations not taking part in the coercion, and it should not have been too difficult to foresee that they would try to take advantage of the intervention. "You can spank Venezuela if you like. She deserves it; but don't take too long about it," an American Congressman told Herbert during the early days of the incident.[1] Britain and Germany had taken "too long" in their spanking and some of the blame for this must be attributed to their own lack of foresight.

It had also probably been a blunder to impose the formal blockade on December 20th, after the decision for arbitration had been made. Given Castro's past record, it was an understandable decision, but, particularly after the United States threw its influence behind such a solution,

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[1]Herbert to Lansdowne, private, December 19, 1902. Lansdowne Papers, U. S., vol. 28.

it is difficult to see how Castro would have been able to evade his obligations. In any event, after Venezuela had accepted their reservations on January 8th, it would have been prudent to lift the blockade. As seen by the effects of the bombardment of Maricaibo, the danger of its continuance far outweighed the benefits of its continuing pressure. But national pride and "points of honour" were at stake, making rational decisions difficult. If it had not been for "points of honour" there would have been no Venezuelan intervention.

Much of the British resentment over the length of the negotiations centered upon Bowen. There had been high hopes in London that dealing with the American would expedite matters, and the disappointment had been correspondingly keen. The British could never quite become accustomed to American lawyer-diplomats with their legal briefs for their clients and their diplomacy by press release. Herbert tried to conceal his impressions of Bowen in Washington "where he has a great reputation as an astute diplomatist," but there was little restraint in his private communications home: "Bowen is all Haggard has described him as, and more. He is a blustering, insolent, untrustworthy cad."

> I cannot figure myself for not refusing at first to allow Bowen to come here. However, at that time I suppose I could not have been expected to realize

how Bowen would really act here. From the beginning of the negotiations he has held all the trump cards and has worked public opinion in America by means of the press in a manner which could not fail to handicap the three representatives. Both the Germans and I have had to think of the relations between our respective countries with the United States, and Bowen has been sharp enough to realize the fact. . . .

Bowen has naturally become a most popular man here and the picture of the brave American defending poor Venezuela from the greed and avarice of the three Powers appeals strongly to the average American. He has done me personally a good deal of harm in the eyes of the American public by the lies he has started about me. . . . This I do not care about, but what I do mind is the manner in which he has influenced public opinion in America, which is always fickle and quick to move against England.

Lansdowne of course was equally unhappy with the American's performance:

> It is always easy to be wise after the event, & if we had to begin again we shd certainly keep Bowen out of the negotiations. He might have settled the whole business in 48 hours if he had wished to do so & run straight & he wd have gained much credit for his performance. But I did not know the man, although I am bound to admit that Haggard had given us a bad account of him.[1]

There was of course a much deeper significance to the Venezuelan episode than faulty preparation or matters of tactics. Despite the superficial success of the joint cooperation with Germany, it had been a dismal failure in the broad context of Anglo-German relations. On the morning of February 18th, the Kaiser paid an unannounced visit to

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[1]Herbert to Lansdowne, private, January 30, 1903, and private of February 10th. Lansdowne to Herbert of February 20th. Lansdowne Papers, U. S., vol. 28.

Ambassador Lascelles, and "had nothing but satisfaction to express." He was glad that the blockade was over and he wanted to thank Lansdowne and the British government for the "loyal manner" in which they had acted towards Germany during the negotiations.

> He fully understood the difficulties which the hostility which public opinion in England had entertained against common action of the two governments had caused your Lordship, and he was all the more grateful for the determined manner in which your Lordship had acted throughout. He trusted also that people would now understand that it was possible for the two Governments to act together in questions in which their interests made it advisable that they should do so without incurring the terrible consequences which had been threatened by the English press.[1]

Undoubtedly the Kaiser was merely putting the best face possible on a bad situation, but if he actually believed his conclusion it was another example of his obtuse diplomatic sense. In any event, the British government knew better, and Lord Hamilton's remark that the Venezuelan intervention "conclusively disposes of any idea of our being able to form or make any alliance" with Germany in the future was much closer to the mark.[1]

It was not that the Germans had been faithless or

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[1]Lascelles to Lansdowne, February 20, 1903. See also telegram of February 18th. F. O. 420/213.

[2]Hamilton to Curzon, December 31, 1902. Quoted in Monger, op. cit., p. 107.

uncooperative; they had in fact deferred to the British from the beginning, particularly as soon as the unpopularity of the joint undertaking was evident. There had been irritation over the bombardment in January and over the matter of the first-class claims, but at least Lansdowne, for his part, did not blame the Germans as much as he did Bowen for the prolonged negotiations. "The Germans have on the whole behaved well," he wrote Herbert after the signing of the protocols, "although they have been fussy & fond of raising unnecessary points, but they have almost invariably given way to us."[1] And two years later he still expressed his opinion to Balfour that "the Germans upon the whole ran straight so far as we were concerned."[2]

The basic flaw in the whole operation was that the Germans were an unpopular partner, not only at home, but across the Atlantic as well. To those primarily interested in American friendship, the moral of the story was quite clear, and perhaps there was some consolation to be drawn from the whole affair. Herbert told Lansdowne that he would be "amazed at the language" used "by men in the highest positions at Washington" regarding Germany, and perceptively

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[1]Lansdowne to Herbert, February 20, 1903. Lansdowne Papers, U. S., vol. 28.

[2]Lansdowne to Balfour, January 18, 1905. Quoted in Monger, op. cit., p. 179.

pointed out:

> This anti-German spirit cannot fail in the long run to be of benefit to Anglo-American relations. It must be remembered that, up to the time of the Spanish war, the United States, since they became a nation, have had only one enemy worthy of the name--Great Britain. Spain has been disposed of, and is forgotten. Germany is now gradually taking Great Britain's place in the American mind as the "natural foe," and the more general this feeling becomes, the more will the American people be instinctively drawn towards the people of Great Britain with whom they have so much in common. But it is obvious that this theory will not hold good if Great Britain is in any way associated with Germany in the future.[1]

Of more immediate concern at the time was the possible effect that the affair might have on present Anglo-American relations. In answer to their critics, Balfour and his government spokesmen denied that they had done anything to endanger American friendship, but here too they also knew better. A few days after the Kaiser's talk with Lascelles, Herbert reported on a conversation with Roosevelt. The President spoke against Germany's actions in the Venezuelan affair "with considerable warmth," but "he stated, at the same time with some asperity, 'she would never have dared to behave as she has if England had not been acting with her.'" Herbert consoled Lansdowne with the hope that the Venezuelan incident would "soon be forgotten in this country where public opinion is so fickle and moves so illogically

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[1]Herbert to Lansdowne, February 25, 1903 (received March 9th). F. O. 420/214.

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and so rapidly," but he had no doubts that "from the point of view of continued friendly relations between Great Britain and the United States, the Venezuelan negotiations were not brought to a close a day too soon."[1]

What did all of this mean specifically for Britain's Latin American policy? For one thing it meant "accepting" the great American dogma, the Monroe Doctrine. Lord Cranborne's statement of December was followed by others in Parliament during the post-mortem of the Venezuelan incident that occurred in the new session. And none of these spokesmen was more emphatic than Balfour himself speaking at Liverpool on February 14th. The Prime Minister was fully aware that public opinion in the United States was sensitive about the Monroe Doctrine.

> But the Monroe Doctrine has no enemies in this country that I know of. (Cheers.) We welcome any increase of the influence of the United States of America upon the great Western Hemisphere. (Hear, hear.) We desire no colonization, we desire no alteration in the balance of power, we desire no acquisition of territory. (Hear, hear.) We have not the slightest intention of interfering with the mode of government of any portion of that continent. (Cheers.) The Monroe Doctrine, therefore, is really not in the question at all. (Hear, hear.)

The Prime Minister knew better in this instance too. For he immediately followed up his bow to the doctrine with an invitation to the United States.

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[1]Herbert to Lansdowne, February 25, 1903. (Received March 9th). F. O. 420/214.

> I go further, and I say that, so far as I am concerned, I believe it would be a great gain to civilization if the United States of America were more actively to interest themselves in making arrangements by which these constantly recurring difficulties between European Powers and certain States in South America could be avoided. They are difficulties which are constantly occurring, but they cannot be avoided. . . . As long as the canons of international relations which prevail between the great European Powers and the United States of America are not followed in South America these things will occur, and the United States of America can perform no greater task in the cause of civilization than by doing their best to see that international law is observed, and by upholding all that the European Powers and the United States have recognized as the admitted principles of international comity.[1]

Or as he put it more succinctly in a letter to Andrew Carnegie in December of 1902: "These South American Republics are a great trouble, and I wish the U. S. A. would take them in hand!"[2]

Balfour's hope was a logical one to flow out of the events of 1902-1903, and, as the future would show, the argument that the United States had responsibilities to the European powers under the Monroe Doctrine was not uncongenial to the ideas of Theodore Roosevelt. But British

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[1]The London Times, February 14, 1903.

[2]Balfour to Carnegie, December 18, 1902. The Prime Minister was assuring Carnegie that, as Britain proposed no landing on Venezuelan territory, "the Monroe Doctrine, to which we have notthe smallest objection (rather the reverse!) could not therefore in any way be violated either in letter or spirit." Balfour Papers, 49742.

For other British statements on the Monroe Doctrine in Parliament and in the press, see Perkins, op. cit., pp. 359-64.

"acceptance" of the Monroe Doctrine, and wishes that the United States would take Latin America "in hand" did not solve the dilemma in which the Foreign Office found itself at the conclusion of the Venezuelan adventure. What exactly did it mean to accept the Monroe Doctrine? Did it mean that Britain and the other European powers could no longer enforce their claims in Latin America? The United States had not said this officially, nor had the British accepted such an interpretation in theory, but the pressure from the United States during the crisis certainly seemed to indicate that, in practice, the use of force for such ends would be dangerous.

The situation was ambiguous. The administration had not intervened directly in the Venezuelan affair, but the pressure nevertheless had been very real. Lansdowne believed that the trouble had arisen from "ill informed popular feeling" rather than the conduct of the American government,[1] but even if the Foreign Secretary was correct who was to say that American opinion would be any better "informed" if a similar situation arose? If the United States did not take Latin America in hand, was the Foreign Office to do nothing in the defense of British interests? And if the United States did exert more influence on the troublesome

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[1]Lansdowne to Herbert, February 20, 1903. Lansdowne Papers, U. S., vol. 28.

republics, would this always be to the advantage of those interests? One result of the Venezuelan incident at least was clear. The Foreign Office would have to tread warily in Latin America in the future.

There is a postscript to the Venezuelan story that brought the problem home to the British immediately. The action against Venezuela had led to the suspension of the joint European pressure on Guatemala for an acceptable arrangement with the bondholders over the defaulted external debt. Was there still any hope that Estrada Cabrera would give way as he had on the European claims in 1902? The answer from the British Chargé d'Affaires there was gloomy. He was afraid that the time was past for effective pressure in behalf of the bondholders. "The people here have I think duly noted the fact that a large part of our press is abusing our Govt for allying itself with Germany on the Venezuelan affair 'in order to collect Bondholders debts' & they reckon that they can feel safe from any such action being taken on behalf of such interests." A new minister to Central America was about to leave London, and Villiers suggested that he be merely instructed to report on the status of the question. Lansdowne agreed there was nothing more to be done.

In the interests of the Bondholders themselves any

> active intervention on their behalf at this moment would be most undesirable. It is useless to conceal from ourselves the fact that the recent agitation as to our action in Venezuela will greatly strengthen the position of these fraudulent countries who have been led to suppose that public opinion in this country & in America will secure them immunity.

When the new British minister arrived in Guatemala, he asked his German, French, and Belgian colleagues what action, if any, had been taken on the joint notes of 1902. When they replied that their instructions were "to follow the lead of their English Colleague," he told them that he proposed to take "no action" without instructions from Lansdowne.[1] Those instructions never came. The hoped for multilateral approach in Central America was a casualty of the "war" with Venezuela.

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[1]See Villiers memorandum of March 3, 1903, and Lansdowne's minute; and Thornton to Lansdowne, May 1, 1903. F. O. 15/366.

CHAPTER IV

CUBA AND THE OPEN DOOR

One of the inherent problems in the British policy of acquiescence to American political predominance in the Caribbean was the possible effect that this deference might have on British commercial interests. As long as the "open door" was maintained, the British government professed to have no objections to American ambitions in the area, but from the very outset there were fears in some quarters that the United States would use its political domination to destroy economic competition. Such fears in British commercial circles reached their peak in connection with Cuba, the United States' first protectorate, and were caused by the issues of American-Cuban reciprocity and the unsuccessful attempt to negotiate a satisfactory Anglo-Cuban commercial treaty.

With the British government firmly committed to a policy of Anglo-American friendship, any defense of British commercial interests in Cuba was a difficult and delicate operation for the Foreign Office, but it was not one that could be ignored. Although the United States had supplanted

Spain as the chief exporter to Cuba as a result of the Spanish American War, Great Britain still maintained third place in the export trade.[1] Cuba and Mexico were Britain's best customers in the Caribbean area, and in 1900 Cuba imported approximately two million pounds in value of British goods, principally in textiles and Indian rice. In addition, considerable profits were being made in the carrying trade, not only in the rice trade via Liverpool and in general cargoes, but in the sugar trade between Cuba and the United States as well.[2] The merchants, manufacturers, and shipping companies

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[1]According to the British Board of Customs, using figures from a report on Cuban trade for 1900 by the British consul in Havana, the mean annual value of imports into Cuba in 1894 and 1895 was £13,742,676, with the following breakdown (in pounds): Spain 6,007,455; United States 4,489,055; United Kingdom and possessions 1,960,708; France 241,756; Germany 225,492; others 818,260. For 1899 and 1900, the annual total was £13,340,695, from the United States 6,043,125; Spain 2,087,318; United Kingdom 2,064,367; France 601,771; Germany 500,656; others 2,043,458.

Memorandum in Treasury to Foreign Office, January 29, 1902. F. O. 108/9.

[2]There were varying estimates of the exact value of British exports to Cuba for 1900. According to the Board of Trade's statistics the figure was £1,870,163. The British consul placed it at £2,291,120. The United States Tariff Commission later put it at $11,955,000 or 16.67% of the total.

According to the Liverpool Chamber of Commerce in 1902, the entire Cuban trade, including goods shipped from foreign and colonial ports, freight earnings, and shipyard profits, "may be worth at least 3 or 4 millions sterling."

The categories of British exports for 1900 ranked according to value were: 1) Indian rice, 2) cotton goods, 3) linen goods, 4) other articles of food and drink, 5) metals and machinery, 6) woolen goods.

See Great Britain, Parliamentary Papers, "Annual

interested in maintaining this Cuban trade formed a vocal and important pressure group that was far from backward in appealing for government aid.

In economically depressed post-war Cuba, many viewed some form of reciprocity with the United States as the only salvation for the all-important sugar export trade. The agitation for reciprocity in the United States resulted from a variety of motives. Some argued on humanitarian grounds, while others were motivated by economic self-interest. For some statesmen, the economic ties of reciprocity were viewed primarily as a supplement to the political controls of the Platt Amendment. As Theodore Roosevelt argued in 1902:

> I urge the adoption of reciprocity with Cuba not only because it is eminently for our own interests to control the Cuban market and by every means to foster our supremacy in the lands and waters south of us, but also because we, of the giant republic of the north, should make all our sister nations of the American Continent feel that whenever they will permit it we desire to show ourselves disinterestedly and effectively their friend.[1]

President McKinley had come out strongly for reciprocity before his assassination, and, although he was not

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Statement of the Trade of the United Kingdom with Foreign Countries and British Possessions," Cd 2626 (1905) lxxx; Carden to Lansdowne, March 7, 1902, and Liverpool Chamber of Commerce to Foreign Office, March 8, 1902, in F. O. 108/9; United States Tariff Commission, Reciprocity and Commercial Treaties (Washington, 1919), p. 327.

[1]Quoted in Russell H. Fitzgibbon, Cuba and the United States, 1900-1935 (Menasha, Wisconsin, 1935), p. 207.

an advocate of reciprocity in general, Roosevelt joined Secretary of War Elihu Root and Leonard Wood, the Military Governor of Cuba, in their campaign for Cuban reciprocity. The political planners in the Roosevelt administration had their economic allies, such groups as those interested in the export trade to Cuba, those who owned sugar plantations in the island, and the American Sugar Refining Company--the so-called "sugar trust"--who were intent on securing cheap Cuban sugar. But there were also powerful economic lobbies opposed, such as the sugar producers in the United States and Hawaii and the proponents of protectionism in general, whose power in Congress promised a spirited struggle against any reduction in the tariff.[1] Needless to say the bitter fight over reciprocity in Congress between the forces of the administration and of the protectionist blocs would be watched with the greatest interest across the Atlantic.

From 1898 to 1905, Great Britain's representative in Cuba was Lionel Carden, an able and vigorous diplomat who was to become one of the foremost advocates of the defense of British interests in Central America against the spread of American influence. A veteran of many years service in Cuba and Mexico, Carden was named Consul General to Cuba in

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[1]A good account of American economic policy during the occupation is in David F. Healy, The United States in Cuba, 1898-1902 (Madison, 1963), pp. 189-206.

December of 1898, and became the first British minister to the new republic when the American occupation of the island ended in May of 1902. Carden was more than alert to the potential dangers to British commercial interests, and during these years the Foreign Office was never at a loss for dire warnings from Cuba.

Carden became apprehensive long before the Cuban-American reciprocity treaty was negotiated. In January of 1901, he warned London of the growing agitation for reciprocity, and expressed his opinion that the American government was likely to take some favorable action. Up to now the American sugar planters had blocked the movement, "but the present disposition of the United States Government, of which evidence is not wanting, to hold out the inducements of some commercial advantages in exchange for a measure of political control over Cuba, affords reasons for believing that this opposition has been or may be in some way won over." The "very existence" of British trade with Cuba was threatened. If tariff advantages to American imports were added to such natural advantages as geographical proximity and lower freight rates, it was "evident that a point would be reached where competition would become impossible and this very promising market would become practically closed to our trade." The only hope for Britain was to influence the Cubans themselves. Carden was convinced the Cubans were

mistaken in their enthusiasm for reciprocity, that the principal benefits would go to the American consumer, and that Cuba would be forced to use direct taxation to replace the loss in customs revenues that would result.

> These arguments I have not failed to urge on several of the leading Cuban delegates, who are already opposed on political grounds to too intimate a connection with the United States, and it is to be hoped that their efforts may have the effect of neutralising the action of the planters and their sympathizers.[1]

The first reaction of the Foreign Office was both cautious and pessimistic. The Permanent Under Secretary of State, Sir Thomas H. Sanderson, was sure that reciprocity would "sooner or later" ruin British trade with Cuba and close the American market for British West Indian sugar, but he was more worried about possible American reaction to Carden's activity. "I think Mr. Carden ought to be careful how he puts his finger into this pie," Sanderson wrote. The American authorities "might get very angry if they thought he was intriguing against their policy." Lansdowne, sceptical of "the inculcation of Cobden Club principles" to the Cubans, didn't think that Carden's admonitions would have much effect, and he agreed with Sanderson that a "private hint" should be sent telling the British consul to be cautious. Carden was instructed to watch the situation closely

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[1]Carden to Lansdowne, January 16, 1901. F. O. 108/9.

and to report new developments, but Lansdowne thought "that you should be very careful in giving advice on this subject to prominent people in Cuba; & especially that you should avoid any appearance of putting forward views on political subjects which might not be acceptable to the U. S. Authorities."[1]

Unfortunately for the peace of mind of the Foreign Office, Carden was not the only one watching the developments in Cuba with apprehension. In March of 1901, the fear that a Cuban protectorate would mean the imposition of the United States' tariff led to the first of many memorials to the Foreign Office from British Chambers of Commerce. When three memorials from Birmingham, Sheffield, and Wolverhampton were sent to Ambassador Pauncefote in Washington for his views on the matter, he replied that any inquiry to the American government would be "ill-timed." There was no danger of the American tariff being applied to Cuba, but he did admit that it was "highly probable" that the United States would try to get preferential commercial advantages. "This however is very different from the imposition of the American Tariff in Cuba and offers no legitimate ground for protest or remonstrance."[2]

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[1]Bergne to Carden, February 7, 1901. F. O. 108/9.

[2]Pauncefote to Lansdowne, April 1, 1901. F. O. 108/9.

But if his counterpart in Washington had no desire to touch the subject, Carden was by no means content to play the part of a passive observer. While in London in the summer of 1901, Carden, at Villiers' request, drew up a confidential memorandum on the future commercial relations of Britain with Cuba. Now that the Platt Amendment had been accepted by Cuba defining her political relationship to the United States, Carden thought that the time had come for Britain to determine the type of commercial treaty she wanted. "I venture to suggest the advisability of making some preparations to that end and ascertaining so far as may be possible the views of the leading Cuban politicians on the subject, so that when the moment for action arrives we may not find ourselves forestalled by other countries." He still had "strong hopes" that reciprocity would be blocked in the American Congress, but even if it passed he thought it possible to persuade the Cubans to minimize the preference to the United States by reducing their customs rates. In any event, "a timely demonstration of friendly interest in and consideration for the new Republic" would certainly help in any future negotiations.

What type of commercial treaty did the British want? Both the Commercial Department of the Foreign Office and the Board of Trade were opposed to offering any tariff advantages to Cuba as an inducement. In the words of Algernon

Law, the chief clerk of the Commercial Department, "all we sought was what we give, ie. unconditional most favoured nation treatment in all respects." Once again the policy makers in the Foreign Office weighed the benefits to British commerce against the dangers of ruffling American feelings. Lord Cranborne realized that the United States "might be annoyed," but it was also important "to be early in the field." "On the whole," Cranborne was "inclined to think that if Mr. Carden is a good man he should be trusted to act confidentially." Lansdowne agreed:

> All that Mr. Carden proposes is that he should feel his way, and endeavour to enlist the goodwill of leading Cubans for the policy which we shall at a later stage have to press upon their consideration.
>
> I think Mr. Carden may be trusted to do this tactfully & without giving offense to the U. S.

While giving Carden the green light to sound out "the views of the leading Cubans," Lansdowne was careful to qualify his instructions. The enquiries were to be made "unofficially and in the most tactful manner possible in order to avoid all danger of giving offense to the United States Government."[1] No one bothered to explain how Carden was "to enlist the goodwill" of the Cubans for an unconditional most favored nation treaty with Britain "without giving offense"

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[1]Carden to Villiers, confidential memorandum of August 10, 1901, and minutes by Cranborne and Lansdowne, and reply of August 17th; Carden to Villiers, August 29th; Law to Carden, August 29th. F. O. 108/9.

to an American administration pledged to Cuban reciprocity.

In October of 1901, the Foreign Office sent Carden a draft treaty along the lines desired by the Board of Trade and authorized him to open negotiations as soon as the new republic was established.[1] But the British consul was chafing under the Foreign Office's restrictions on his activities, particularly when the American administration's reciprocity campaign swung into high gear in November and December of 1901.[2] On January 15, 1902, the same day that hearings began in the American House of Representatives on a reciprocity bill, Carden penned a personal letter to Villiers giving him "some further particulars which I could not very well give you in an official communication."

Carden was discouraged and needed advice. It seemed to him that the statements made by Roosevelt, Root, and Wood showed clearly that the United States was not going to be satisfied with a "considerable preponderence in the Cuban trade, but wants it all." Without opposition, reciprocity seemed just around the corner, but if he tried to influence any of the Cuban leaders except those with whom he was on "terms of some intimacy," his action "could scarcely fail

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[1]Board of Trade to F. O., September 21, 1901; F. O. to Carden, October 12, 1901. F. O. 108/9.

[2]Carden to Lansdowne, December 18, 1901. F. O. 108/9.

to become known to some extent to the American authorities and would certainly not be to their liking. . . ." He was supposed to avoid antagonizing the United States by stating views on political subjects, but "the political and commercial sides of the Cuban question are so interwoven that it is impossible to say where one ends and the other begins."

> Under the circumstances do you not think that the importance of the issue to us, and its urgency, would warrant a relaxation of these instructions, even at the risk of its not being altogether acceptable to the U. S. authorities? I do not wish to pretend that I can do impossibilities, but there are so many and such cogent arguments which might be used to show how disadvantageous reciprocity with the U. S. would prove to Cuba, that, if I felt myself authorized to make the attempt, I think I might be able to persuade some of the leading men to use their influence against the hasty conclusion of any Treaty of a permanent character, with a reasonable prospect of success.

Once again the Foreign Office had misgivings over American susceptibilities. If Carden were tactful, Lord Cranborne was willing "to tell him to be cautious and to trust him to feel his way in the direction he suggests." But Lansdowne was unwilling to run the risk. "It will be safer to tell him that we are not prepared to relax our instructions."[1]

Although Carden's suggestions for an active opposition at Havana against American policy was rejected, the Foreign Office was under growing pressure at home to do

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[1]Carden to Villiers, January 15, 1902, and minutes by Bergne, Cranborne, and Lansdowne. F. O. 108/9.

something more in the defense of British interests. In January, the Treasury sent the Foreign Office a very gloomy report on the Cuban situation from the Board of Customs. The author of the report found nothing encouraging in the fact that Britain had retained third place in the export trade to Cuba in light of the fact that Germany and France had increased their share of the market more than had Britain. He did not know "any more discouraging figures than these, to British pride, nor any tending to a more pessimistic view of our progress now and in the future in the internecine strife of commerce which is going on in the world." As for reciprocity, there was no doubt that it would lead to the capture by Americans of a "very large proportion of the remaining Cuban consumption," especially as the United States could supply Cuba with all the articles imported from Europe.[1]

More important than inter-departmental gloom were the complaints and petitions from firms and organizations that continued to arrive at the Foreign Office. The Liverpool Chamber of Commerce touched off another discussion by suggesting that Britain join Germany and France in a joint

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[1]Board of Customs memorandum by T. J. P., January 16, 1902, in Treasury to F. O. of January 29th. F. O. 108/9. From 1894-95 to 1899-1900, Great Britain had raised her exports to Cuba by 5.2%, France 150% and Germany 122%.

protest to the United States. The British policy makers did not have the same illusions over Cuba as they did over Venezuela in 1902 regarding American sensibilities. Lansdowne and Cranborne agreed that any common action, even a joint enquiry, would be too dangerous. With any confidential efforts by Carden also ruled out, a direct unilateral approach to the United States seemed the only alternative. Cranborne had "very little hope" of any results, but something had to be done "in deference to this commercial pressure." Pauncefote was now to use his discretion as to whether any communication, and if so of what nature, should be made" to the United States.[1]

The commercial pressure that had moved the Foreign Office was centered in Liverpool. In mid-February of 1902, twenty-one Liverpool firms interested in the export and shipping trade with Cuba petitioned the Chamber of Commerce there, and in turn the Chamber passed a resolution, circulated it to all of the principal Chambers in the United Kingdom, and asked Lansdowne for an interview, as most of the delegates of the Association of Chambers of Commerce were to be in London for the organization's spring meeting. Lansdowne tried to avoid an interview on the grounds that the

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[1]Liverpool Chamber of Commerce, February 17, 1902, and minutes by Cranborne and Lansdowne. Lansdowne to Pauncefote, February 28th. F. O. 108/9.

Foreign Office did not believe action at present would achieve any beneficial results, but when pressed he finally agreed, requesting that the press be excluded from the meeting.

On March 11th the Foreign Secretary met with representatives from the Chambers of Liverpool, London, Manchester, Birmingham, Wolverhampton, Bury, Bradford, Glascow, Belfast, and a delegate from the central association. The Vice President of the Liverpool Chamber of Commerce sounded the keynote in his opening address:

> Cuba, of course, can do what she thinks best, but the deputation desires that the "open door" should be maintained. Mr. Cox referred to what His Majesty's Government had done to maintain the open door in the Far East; he said the United States' citizens had the benefit of this policy, and surely this could be urged by His Majesty's Government in endeavouring to maintain the open door in Cuba. Mr. Choate [the American Ambassador] only a few days ago made a speech in favour of the best relations between the two countries. He had said "if you want to have a friend you must be a friend"--this should be acted on at Washington.

Sir Vincent Barrington of the London Chamber caustically remarked that the American "philanthropic purposes" in the war with Spain had turned out to be "philanthropy" plus "a 25% differential tariff" against Europe. Other speakers again urged some form of joint European action. Nor were the fears confined to Cuba. With Puerto Rico gone and Cuba on the way, the Belfast delegate feared "that by some amplification of the Monroe Doctrine British trade would be

ousted, not only from Cuba, but from all Central and South America as well."

Lansdowne's answer to the delegation was not too encouraging. He told them of the draft treaty sent to Carden and the instructions to Pauncefote, and asked them to draw up a memorandum of their views which he would send to Washington. What else could the government do? The United States had not made any "pledges" that were "definite enough" to hinder reciprocity with Cuba. A "formal remonstrance" at the moment would be "unsuitable," and it would probably irritate the Americans. That was the reason the reporters had been barred from the meeting.[1]

Those in the Foreign Office who believed that any protest to the State Department would be futile were of course quite correct. On March 10th Pauncefote had sent a note to Hay with extracts from memorials from Liverpool and Manchester, expressing the hope that the Secretary of State would consider the Chambers' complaints "and that the President may see his way to take some action to protect the long established British trade with Cuba against the peril with which it is threatened." The State Department merely ac-

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[1]"Note on reception by Lord Lansdowne of deputation from Chambers of Commerce to call attention to Cuban Trade," March 11, 1902. Liverpool Chamber's memorandum on "British Trade with Cuba" sent to Lansdowne March 25th. F. O. 108/9.

knowledged the note and told Pauncefote that the matter would receive "due consideration."[1] Little wonder that Pauncefote thought that another note would be undesirable when the Liverpool memorandum on the meeting with Lansdowne was passed on to the Washington Embassy. The Foreign Office was equally reluctant to see the subject come into the open. At Lansdowne's suggestion, Cranborne unofficially told Charles MacArthur, MP from Liverpool, that the Foreign Office was anxious to avoid questions in Parliament, or any public discussion of the matter, for fear that any British pressure would only reconcile the conflicting interests in the United States.[2]

For all of the Foreign Office's desire to evade the subject, the agitation continued. More petitions from interested companies were received, and many Chambers of Commerce endorsed the request made in the Liverpool memorandum for the "strongest possible representations" to the American government.[3] The Foreign Office finally relented. When

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[1]Pauncefote to Hay, March 10, 1902; Hill to Pauncefote, March 14th; received at F. O. March 28th. F. O. 108/9.

[2]Lansdowne to Pauncefote, April 10, 1902; Pauncefote to Lansdowne, April 18th, and minute by Lansdowne. See also Manchester Chamber of Commerce to F. O. of October 27th. F. O. 108/9.

[3]The Liverpool memorandum was supported in letters to the F. O. by the Chambers of Wolverhampton, Leith, Hull, London, Bury and District, Manchester, and Bradford.

Arthur Raikes, the British Chargé d'Affaires, reported that he would send the Liverpool memorandum to the State Department only if the reciprocity bill became law, the Foreign Office told him not to wait. He was to send it to Hay and ask for a favorable consideration of it. The only result was more silence from official Washington. Raike's note of June 14th went unanswered.[1]

Meanwhile, with the date set for the end of the American occupation of Cuba drawing closer, Carden was again getting restive in Havana. Should he wait until the United States got a commercial treaty, or was he to open negotiations with the new Cuban government as soon as it was in power? If the Cubans were willing, Cranborne saw no harm in submitting the draft of the British treaty as soon as there was an independent executive. In May, Carden was authorized to begin negotiations at his discretion, with the usual warnings to use caution and to avoid committing the government "to any course of action which might lead to friction" with the United States.[2]

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[1]Raikes to Lansdowne, May 15, 1902; Lansdowne to Raikes, June 6th. F. O. 108/9.
Ambassador Pauncefote died in Washington on May 24th. Raikes was in charge of the legation from May 25th to October 6th when Sir Michael Herbert arrived.

[2]Carden to Lansdowne, April 18, 1902; Lansdowne to Carden, May 9th. F. O. 108/9.

The new Cuban republic began on May 20, 1902, and, as Carden later reported, he "lost no opportunity" in telling the Cuban Secretary of State that Great Britain was ready to conclude a commercial treaty. He was unable to press the matter for the first two months of the new government, but in August he raised the subject again with President Estrada Palma. According to Carden, the President was "somewhat relieved" that Britain did not desire a reciprocity agreement. Carden listed the many supposed disadvantages to Cuba that would result from reciprocity with the United States and warned him of the dangers of alienating friendly nations and discouraging the investment of European capital in Cuba. Estrada Palma professed to be "much impressed" by Carden's arguments, but he feared Cuba was too deeply committed to the United States to turn back. However he did tell the British minister to send the draft treaty to his State Department and promised to talk with Carden again on the matter.[1]

Meanwhile the situation was looking more favorable for the British opponents of reciprocity, as Roosevelt's program was running into stiff resistance in Congress. A modified reciprocity bill, calling for a 20% reduction of the tariff on each other's imports, passed the House of

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[1]Carden to Lansdowne, August 14, 1902. F. O. 108/9.

Representatives in April, but, despite strenuous efforts by the President, a further modified Senate bill was still buried in committee when Congress adjourned in July of 1902.

But Roosevelt was by no means through. With Cuba now "independent," he turned to treaty negotiations, and, on July 4th, Hay submitted to the Cuban government a draft reciprocity treaty similar in terms to the bill that had failed in Congress. It was now Cuba's turn for reluctance as the terms of the treaty were disappointing. Not only was the 20% reduction on their goods considered too low,but they were asked to give higher reductions--from 25% to 40%--on some categories of American products. It was not until October 28th that Cuba made a counter proposal, and mid-November before Tasker Bliss was sent to Havana to begin the actual negotiations.[1]

The ever alert Carden now thought he had found a way to take advantage of the situation. After the American Congress adjourned in July without lowering the tariff on Cuban

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[1]Healy, op. cit., pp. 198-203; Fitzgibbon, op. cit., pp. 209-11. Some of the Cuban reluctance may have been due to the sugar agreement reached by the European powers in March of 1902. By ending export bounties on beet sugar it strengthened Cuba's position in the world market.

For a list of the products in the four classes of preference (20, 25, 30 and 40%) to American exports in the treaty as signed on December 11, 1902, see U. S. Tariff Commission, op. cit., p. 321. The percentage of tariff reduction on American goods that most affected British interests were: 40% on rice, 30% on cotton goods, and 40% on woolens.

sugar, Carden reported that the Cuban Government was seeking an £800,000 loan to aid its planters. According to the British minister, they proposed a 6% loan secured by 10% of the customs revenues, and that Estrada Palma "has received proposals from United States to furnish necessary funds, but would prefer England, and has asked me for help." This opened up great vistas to Carden. As he cabled home:

> Venture to strongly urge that government influence be exerted in furtherance of proposal of President as affording a means of preventing the conclusion of a reciprocal Treaty with the United States; this might be effected by stipulation that no part of import duties shall be alienated during subsistance of contract. Suggest that merchants who petitioned your Lordship re reciprocity be invited to raise funds required. Exceptional opportunity to secure commanding financial influence here.

This was dangerous ground. The Platt Amendment did not forbid Cuba to contract foreign loans, but it did contain a provision restricting debts beyond her normal ability to pay. Although the loan was a relatively small one, it was obvious that the United States was intent on controlling her protege's financial commitments. As usual, Lansdowne drew back from any overt attempt to frustrate American designs.

> We could not in any official or formal manner assist the Cuban Govt. in procuring a loan. Nor even if such assistance were possible could we be parties to an arrangement that the whole of the Cuban customs revenues should be inalienable because ten per cent of those revenues had been pledged to the service of the loan.

> We can only recommend that the Cuban Govt should place itself in communication with the best English financial houses and ascertain what terms they can offer.
>
> If President desires we can let it be known privately that Cuban Govt wishes to make these enquiries.

When Carden asked what financial houses Lansdowne had in mind, the Foreign Secretary answered that it was "difficult" to make recommendations. "The President probably knows or could ascertain houses who undertake such business whom he could suggest and with whom we could then communicate." Evidently this was too vague and unofficial for Estrada Palma and the Cuban attempt to offset American dominance by English capital was not followed up through the Foreign Office.[1]

Although another idea had come to nought, Carden remained optimistic. In September, he reported an encouraging change in Cuban public opinion towards reciprocity.[2] The

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[1]Carden to Lansdowne, July 11, 1902, and July 14th; Lansdowne to Carden, July 13th, and F. O. to Carden, private, July 17th. F. O. 108/1.

During the period of the Platt amendment restrictions, all of Cuba's external loans were floated in the United States. See Fitzgibbon, op. cit., pp. 228-29.

[2]At the same time, the American minister was complaining about the talk in the Cuban Congress about raising the tariff in order to bring more revenues into the treasury. As he wrote to Hay on September 17th: "The spirit of the legislation proposed or favorably acted upon up to this time, is, to say the least, not pro-American. . . . If Congress does nothing in the way of reciprocity I fear the ratification of a treaty will be no easy matter and the longer it is delayed the more difficult it will be, unless circumstances force its acceptance." Squiers to Hay, September 17, 1902, quoted in Dennis, op. cit., pp. 267-68.

Place itself in communication with the best English
[illegible] ...
order.

[illegible] ... President ... [illegible] ... it ... be ... [illegible] ...
[illegible] ... [illegible] ... [illegible] ... [illegible] ...
[illegible] ... [illegible] ... [illegible] ... [illegible] ...
[illegible] ... [illegible] ... [illegible]

New York Tribune reported that Estrada Palma was opposed to the proposed treaty, and when Carden talked to the President about the interview with the paper, the Cuban proclaimed that "even if I were weak enough to consent to such a measure it would never receive the sanction of Congress." Carden believed that Cuba was ready to accept the British treaty with few alterations if reciprocity should fail.

> I need scarcely say that I have neglected no opportunity of trying to profit by this change in public opinion, and in my conversations with the President and the Secretary of State I have continued to urge the undesirability of discriminating against English trade with Cuba. . . .[1]

The Foreign Office's position towards American reciprocity was ambiguous. Torn between the desire to placate the United States and the need to assuage commercial interests at home, their orders to Carden had been rather contradictory. They had repeatedly told him not to offend the United States, but his reports had made it quite clear that he was doing his best to convince the Cubans to reject the American plan. There had been no reprimands over this. Indeed the Foreign Office itself specifically instructed Carden, on October 8, 1902, to approach Estrada Palma regarding the 20% preference in the bill that had been proposed to Congress, and to draw his attention "to the far-reaching

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[1]Carden to Lansdowne, September 29, 1902. F. O. 108/9.

nature of these provisions which we regard with serious misgiving in this country."[1]

It is difficult to see how the most tactful diplomat, much less one as zealous as Carden, could have avoided giving offense to the United States, and at this point in the maneuvering American complaints over Carden's activities began. Herbert Squiers, the American minister at Havana, had been watching Carden's activity with suspicion, and, in mid-October, he reported to the State Department that the British minister was attempting to prevent Cuban acceptance of the American treaty, charging that Carden had promised Cuba the "material and moral support" of Great Britain, and that Germany would join Britain in support of Cuba if she rejected the American treaty. Hay thought the reported intrigue "almost incredible," but he ordered Ambassador Choate in London to find out "discreetly whether there is any truth in the story."[2]

The story seemed "quite incredible" to Choate also, but he immediately told Lansdowne "exactly what the report was." The Foreign Secretary promised an enquiry, but he was sure that it was due to a "gross exaggeration" of something

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[1]Foreign Office to Carden, October 8, 1902. F. O. 108/9.

[2]Hay to Squiers, October 16, 1902; Hay to Choate, October 16th. State Department Instructions, Cuba, Vol. 1; and Great Britain, Vol. 34.

Carden had said. He was there "of course for the protection of British interests," and, as British trade with Cuba was large, "the British Minister there would naturally be watchful of whatever concerned it."[1]

It was an embarrassing situation for the Foreign Office. On October 20th, Squiers' charges were sent to Carden for any explanation he might have, along with a warning to be "specially careful at this moment not to raise any suspicion, which wd be wholly unfounded, that we wish to thwart U. S. policy in Cuba." At the same time, the Foreign Office covered its own tracks with a private telegram from Villiers ordering Carden not to carry out the instructions in the despatch of October 8th to approach Estrada Palma regarding the proposed 20% preference.[2] The following day, Lansdowne again assured Choate that the report on Carden was due to "misunderstanding or misrepresentation," and that the British minister had "been constantly instructed to be most careful to avoid in the course of commercial negotiations with the Cuban Government any conduct which might bear the appearance of an attempt to thwart policy" of the United

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[1]Choate to Hay, October 17, 1902, and despatch 963 of October 28th. State Department Despatches, Great Britain, vol. 205. Lansdowne to Herbert, October 17th. F. O. 5/2484.

[2]Lansdowne to Carden, October 20, 1902; Villiers to Carden, private, October 20th. F. O. 108/1.

States.[1]

Carden immediately cabled back in his own defense:

> Pursuant to Y. L.'s instructions I have repeatedly urged (on) President & S. of S. for Foreign Affairs advisability of conclusion of most favoured nation treaty with H. M. Govt. as reported in several despatches and in so far as this might conflict with the U. S. policy which is directed towards exclusion of British trade there is some truth in the report. Need scarcely say there is no foundation whatever in statement that I offered Cuba moral or material support of Great Britain nor have I ever alluded in conversation with President or S. of S. for Foreign Affairs even remotely to Germany or German interests here. I can only characterize statement as a deliberate invention which I cannot believe came from any authoritative source. The arguments which I have used in regard to treaty have been based on exclusively commercial grounds and inadvisability of excluding British trade from Cuba.[2]

Villiers was relieved that Carden's "straightforward" reply satisfactorily disposed of the story of British and German support to Cuba, but what of the substratum of truth in the charges of Carden's opposition? Villiers suggested to Lansdowne that the negotiations for a British treaty be suspended, and that they admit to the Americans that they had sent a draft treaty for most-favored-nation treatment to Cuba, which Carden was duty-bound to recommend. After all, the Cuban President could make treaties, and it was up to Cuba, not Carden, to say if the British provisions con-

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[1]Choate to Hay, October 22, 1902. State Department Despatches, Great Britain, vol. 205.

[2]Carden to Lansdowne, October 22, 1902. F. O. 108/1.

Despatch 1, October 22, 1902. State Department, Washington, D. C.

[illegible] to Cuba, [illegible] to the British provisions cu[illegible] all, [illegible] [illegible] up to Cuba, which [illegible] to recommend. After [illegible] to Cuba [illegible] suspended, and [illegible] to the Americans that they be to [illegible] for a certain [illegible] in the case of [illegible] Williams [illegible] [illegible] [illegible]

flicted with the American proposals. This was a bit strong for Lansdowne. His next note to Choate relayed Carden's denial of the offer of British and German support, but was more judiciously phrased regarding the British treaty. Lansdowne explained to Choate that as the "Cuban Constitution empowers the President to conclude treaties with Foreign States, and as the United States Congress has not passed any enactment in derogation of that power," Great Britain had sent a draft treaty to Cuba for discussion. However, nothing had resulted because Cuba had reserved the most-favored-nation treatment on account of the negotiations with the United States. Lansdowne was "anxious to remove all misunderstanding, and will be glad at all times to give fullest information as to British action in Cuba."[1]

When Lansdowne saw Choate on October 30th, the American Ambassador "expressed himself as entirely satisfied" with the British explanation, but, "in justification" of the enquiries, he showed Lansdowne a copy of an alleged memorandum sent to the State Department from Havana that had supposedly been given by Carden to Estrada Palma along with the British draft treaty. According to the memorandum, Carden invited Cuba to delay the discussion of the American treaty

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[1]Villiers to Lansdowne, October 22, 1902. F. O. 108/1. Choate to Hay, October 25th. State Department Despatches, Great Britain, vol. 205.

until the Cuban representative in London could discuss the matter with the Foreign Office.

> I told Mr. Choate that the language of the Memorandum did not suggest to me the idea that it was a reproduction of an official document emanating from the British Legation, and I felt no doubt whatever that it was not what it professed to be.
>
> Mr. Choate did not differ with me as to this, and said that he had no desire to press the subject further.

On November 13th, Carden labeled the memorandum an "absolute fabrication," claiming that the draft treaty had been sent without a covering despatch, and that "no written communications, official or other, have passed between the Cuban Government and myself." The Foreign Secretary read Carden's telegram to Choate who "expressed his satisfaction at this explanation which he regarded as completely disposing of the matter."[1]

It had all been very polite, and the American

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[1]Lansdowne to Herbert, October 30, and November 19, 1902. F. O. 5/2484. Carden to Lansdowne, November 13th. F. O. 108/1. Hay gave a copy of the alleged memorandum to Henry White on October 12th. Squiers claimed that Carden had left it at the Presidential Palace in Havana on October 9th. See Choate to Hay, 963, October 28, 1902. State Department Despatches, Great Britain, vol. 205. It read: "His Brittanic Majesty's Govt., without formally binding itself at this moment or offering anything concise before exchanging impressions and carefully studying the matter, hereupon invites the Cuban Govt. not to proceed to discussion of the contemplated treaty with the United States of America until the Cuban representative has had an interview with the Foreign Office. British Minister believes at this time he can offer President at least their moral support, if not their material support, placing at his service experience which the young Republic perhaps lacks."

government was seemingly satisfied. But the matter had not been disposed of completely. In November, Sir Michael Herbert, the new British Ambassador to the United States, reported that the newspapers were commenting on Carden's "supposed unfriendly attitude" towards the United States. "I presume most of their stories are lies, but I hope he will be careful." Lansdowne assured him that all was well. "Between ourselves I have no doubt that Carden was a little over zealous; we moderated his energy but perhaps not quite sufficiently. Luckily we have been able to turn the tables by showing that the evidence on which the American complaint was based was quite apocryphal."[1] The Foreign Office had been fortunate that the specific charges had been based on spurious evidence, for Carden's activities had been far from "apocryphal." In any event, there were no more despatches from Havana recounting any arguments against reciprocity before the American-Cuban treaty was signed on December 11th, 1902.

Although Carden had been silenced, the Foreign Office was still faced with pressure at home. The American-Cuban treaty was still to be ratified, and, as it contained the reciprocal benefits that the United States had demanded,

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[1]Herbert to Lansdowne, private, November 19, 1902; Lansdowne to Herbert, December 4, 1902. Lansdowne Papers, U. S., vol. 28.

the commercial interests in Britain still hoped for governmental action. On December 15th Charles MacArthur of Liverpool finally raised the unwelcome question in Parliament that the government had so long avoided: had the government taken any steps to protect British interests in Cuba, and, if so, with what results? Cranborne could only reply that representations had been made at Washington that were as yet unanswered.[1]

Two days later Herbert raised the question of those unanswered notes sent by Pauncefote and Raikes in March and June. Herbert saw little chance that a protest would be considered, but, as he believed the reciprocity treaty would pass the Senate, he wondered if the Foreign Office wanted the previous representations renewed. To Law, it would be an exercise in futility:

> It is a question of policy. One must not forget the sacrifices which the U. S. made in blood and treasure in the war which arose between them and Spain in consequence of their sympathy with the Cuban revolutionists. . . . The position of Cuba in regards the U. S. is to all practical purposes very much the same as that of Australia or Canada to this country; and the aim of the U. S. also is a quasi Imperial Zollverein.

Assistant Under Secretary of State Francis A. Campbell agreed with his clerk, but pointed out that "irritation here must be considered if 2-1/2 millions sterling trade to be killed

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[1]The Parliamentary Debates, vol. 116, p. 1214.

& also the Burmah [sic] rice trade. We will get nothing but we ought to receive an answer."

Once again the Foreign Office went through the motions of approaching the American government. Lansdowne told Herbert that he did not want another written communication to the United States, but that it was necessary "for Parliamentary purposes" to get an answer to the previous notes.

> You might add as if from yourself, that the Bill would appear to be destructive of all trade with Cuba other than that of the U. S., and to be quite contrary to the policy of the "open door" so strenuously advocated by the U. S., and that it will create much irritation here. A considerably worded reply is therefore most desirable.[1]

When Herbert carried out his instructions, Hay said he would answer the earlier notes, but held out no hope that the answer would be satisfactory. The Secretary of State was not exaggerating. His formal reply of December 20th consisted merely of a refutation of the assumption made by the Liverpool Chamber of Commerce that the reciprocity treaty was based on the provisions that the United States had put in the Cuban Constitution to carry out the Platt Amendment. "The conclusion of the treaty in question," Hay concluded, "as in the case of the numerous like international

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[1]Herbert to Lansdowne, December 15, 1902, and minutes by Law and Campbell; Lansdowne to Herbert, December 17th. F. O. 108/9.

arrangements which have been entered into by this and other governments, is based solely upon the prerogative of independent nations to enter into such compacts for their mutual benefit." So much for complaints to the United States. "Mr. Hay warned us the reply wd be unsatisfactory, & it certainly is," Campbell noted. "But as it is quite certain we sd gain nothing by further representations, it is no use irritating the Americans by further discussions."[1]

Embroiled at the time in the Venezuelan imbroglio, the Foreign Office undoubtedly would have preferred to forget the entire Cuban issue, but the commercial pressure refused to subside. In January of 1903, the Liverpool Chamber of Commerce asked Lansdowne to meet another delegation. Lansdowne told them of Hay's reply to the earlier notes and again tried to avoid a meeting, but when the Chamber proved insistent the interview was finally set for January 22nd. This second delegation received by Lansdowne over the Cuban matter was a large one, representing thirteen Chambers of Commerce and backed up by a number of Members of Parliament.

As might be expected after the charges against Carden at Havana and the nature of Hay's reply of December 20th, the delegation achieved nothing but another airing of British

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[1]Herbert to Lansdowne, December 18, 1902, and December 23rd and Campbell's minute. F. O. 108/9.

resentment. The aim of the group, as stated by Sir Alfred Jones, the President of the Liverpool Chamber, was to urge the British government to "use their utmost influence" both in Washington and Havana against ratification of the American treaty. Other delegates went into great detail explaining the dangers to British shippers, textile manufacturers, the rice trade, and the Burma rice growers. The Glascow representative solemnly reminded the Foreign Office that the "Munro [sic] Policy spreads over Mexico, Central America, and all South America." Alfred Bigland, the Chairman of the Liverpool General Brokers Association, thought that Britain should warn the United States that she could not guarantee neutrality in any future American wars if the loss of large markets was "the price of our neutrality." According to Bigland, the Monroe Doctrine had been helpful in preserving peace, but that the time had come for a new "doctrine" to supplement it.

> Although it appears hopeless to succeed in preventing the ratification of this Treaty, we are very hopeful that you will make use of this opportunity and precedent to bring forward a new Doctrine (we might call it the "Lansdowne Doctrine") with regard to International rights to maintain the most favoured nation Treaty clause.

Bigland wanted nothing less than an international agreement by which "all neutral markets in the World that are neutral today" would be preserved. Every country could levy tariffs as they saw fit, but none could give "prefer-

ential rights of trading" to others. This would end the international jealousy caused by the anxiety of "various Governments" to obtain new markets, and keep open markets "in which they have at present an open door."

Lansdowne was having enough trouble at the time with one doctrine and was in no mood to lend his name to another. His answer to the delegation was even less encouraging than his reply to the earlier one. The Foreign Secretary could see no effective way to prevent ratification of the American-Cuban treaty. Representations had achieved nothing, and Cuba had every right to enter into such a treaty. "We might expostulate, but expostulations without the power of doing something served no useful purpose." What was left? No British Cabinet had ever considered retaliation to be good policy, and, although the idea of an international agreement "might be a good one," he could hardly commit himself to such "a new departure" in international law. He regretted he had nothing more reassuring to state to the gentlemen "from whom he had waited in vain for some practical proposal."[1]

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[1]The thirteen Chambers were: Liverpool, London, Manchester, Glascow, Nottingham, Sheffield, Wolverhampton, Blackburn, Oldham, Dublin, Bradford, Edinburgh, and Belfast. There were actually two meetings, one on January 22nd with forty representatives including twelve members of Parliament, and one on January 23rd at Lansdowne House with nineteen delegates from Liverpool, London, Manchester, Glascow, Nottingham, and Wolverhampton. The proceedings of the meeting of January 23rd were compiled by the secretary of the Liverpool

With American-Cuban reciprocity accepted as a foregone conclusion, the emphasis now shifted from present dangers to future ones. After an analysis of the probable effect of the American treaty on British trade, Carden came to the conclusion that the situation was not as bad as anticipated. "It must be confessed that, if the Cuban Government had to make a Reciprocity Treaty at all, they could scarcely expect to do so under better conditions. . . ." And best of all, the concessions to American imports were not likely to hurt either the textile or rice trades, which made up about three-fourths of the British imports. In addition, there was no stipulation in the treaty requiring an increase in the Cuban customs rates, "the feature" which offered "the greatest danger to European commerce." What then was there to worry about? The danger now was that Cuba would raise her customs duties and thus increase the American preferential position.[1]

What was the status of the British commercial treaty

Chamber who forwarded copies to Lansdowne with the request that he send them the substance of his reply. The Foreign Office again requested that the proceedings be kept out of the press. See Liverpool Chamber of Commerce to F. O., February 4, 1903, and minutes to Lansdowne's reply of February 13th. F. O. 108/10.

[1]Carden to Lansdowne, January 17, 1903. F. O. 108/10. For an earlier analysis concluding that reciprocity would probably not hurt the existing trade in rice and textiles, see Carden's memorandum of March 5, 1902, in his despatch of March 7, 1902. F. O. 108/9.

now that Cuba had signed with the United States? On January 28, 1903, Carden reported that the Cuban Secretary of State had read the draft treaty and was ready to negotiate, intimating that "he would like to finish as soon as possible." The Foreign Office was not enthusiastic, as Cuba naturally wanted to exempt the proposed privileges to the United States from the most-favored-nation treatment desired by the British. Was such a treaty worth having? Carden was anxious to negotiate, but Campbell thought American reciprocity had deprived "these negotiations of the greater part of their interest & importance," and Law was worried about the "bad precedent" such a concession would create. Both thought that, at the moment, it would be a "premature" surrender to the United States.

As the Board of Trade at this point was opposed on principle to the idea of exempting the American privileges, the Foreign Office ordered Carden to tell the Cubans that Britain could see "no object" in accepting such an amended treaty. But Carden was anxious to keep the negotiations open. Did London want the talks to come to an abrupt end? Were there no alternative proposals? The Foreign Office relented a bit. Carden did not have to say he was instructed to reject the change, "but you may inform the Cuban Govt. that you have every reason to believe that it is the view

we take."[1] Thus the negotiations continued to limp on.

The Board of Trade also raised another problem in connection with the Cuban reciprocity treaty. Should something be said about the differing interpretations that Britain and the United States placed upon the most-favored-nation clause in their own commercial treaty? It was an old difficulty. While Great Britain was the most consistent advocate of an "unconditional" interpretation of such clauses, the United States always held to a "conditional" interpretation. According to the American view, a third country with most-favored-nation status was not entitled to any special advantages that one country gave to another, unless the third power gave the same or equivalent concessions.[2] It was this

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[1]Carden to Lansdowne, January 28, 1903, and minutes by Law, Campbell and Lansdowne; Carden to Lansdowne of February 24th, and minutes; Board of Trade to F. O., February 17th; Lansdowne to Carden, February 16th and February 23rd; Carden to Villiers, private, February 19th. F. O. 108/10.

[2]As the American Tariff Commission explained it in 1919; "The willingness to treat with all nations equally and to offer the same concessions to all in return for compensatory concessions by each was essentially a step forward. It was no part, however, of the American policy to give to some States 'freely' such concessions as were given to others in consideration of reciprocal concessions. The earliest American statesmen adopted the 'special bargain' principle, and the American government has acted ever since in conformity with the conception that commercial concessions are to be given for specific compensation, and that most-favored-nation treatment implies and requires nothing more than the granting of opportunity to purchase, on the basis of reciprocal give and take, treatment identical with, or similar to, that accorded other States." U. S. Tariff

"conditional" interpretation that made it possible for the United States to have most-favored-nations treaties and at the same time negotiate reciprocity treaties with individual countries in which special concessions were given and received.

However, by the "unconditional" interpretation of the most-favored-nation clause in the Anglo-American commercial treaty of 1815, Britain could claim the same concessions that the United States was giving to Cuba. As the United Kingdom did not compete with Cuban exports to the United States, it was an academic point, and the Board of Trade realized that the United States was not going to alter its views, but they wanted to go on record again in order to make sure that a precedent was not established without protest.[1]

Commission, op. cit., p. 18. See also pp. 19-20, 39-48, and 389-456. Benjamin H. Williams discusses the American interpretation of most-favored-nation treatment in his Economic Foreign Policy of the United States (New York, 1929), pp. 287-99.

[1]Board of Trade, February 17, 1903, and minutes; minutes to Carden's of January 28th. F. O. 108/10.

Great Britain had not always demanded unconditional most-favored-nation treatment in Latin America. In Law's words, "in recent Conventions with certain Spanish American Republics we have accepted the principle of certain circumscribed advantages to neighboring States."

An example of this would be the m.f.n. clause in the treaty with Honduras, in which customs duties were excepted for the other Central American republics. The later treaty with Nicaragua in 1905 exempted the Central American nations also. See Parliamentary Papers, Cd 3395, (1907), lxxxvii.

Lansdowne decided to refer the whole matter to the Cabinet. On March 9th, the Foreign Secretary briefed his colleagues in the Cabinet on the background of the Cuban treaty situation. There is no record as to any conclusions being reached, but, according to a memorandum circulated to the Cabinet, the Foreign Office probably argued in favor of an attempt to get the Cubans to pledge that they would not raise their tariff for a number of years in return for most-favored-nation treatment from Great Britain.[1]

In any event, the Board of Trade insisted on a protest to the United States for the record, but when the State Department sidestepped the issue with the statement that they did "not feel at liberty to express an opinion" as the Cuban treaty was still before Congress, the Foreign Office decided to drop the matter.[2] Any plans for a counter-

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[1]Memorandum of March 6, 1903. This was based on a longer and more detailed memorandum of February 28th. The memorandum of February points out that Britain had never had most-favored-nation treatment in Cuba under Spanish rule, and even if they had had, under international law, they could not claim it from Cuba as a right. F. O. 108/10.

[2]Lansdowne to Herbert, May 16, 1903; Herbert to Lansdowne, June 4th and June 17th. F. O. 108/10. As the U. S.-Cuban treaty stated that the two countries would always have a preferential position in respect to all other countries regardless of tariff changes, the F. O. charged that it went further than the usual American conditional interpretation, "for it might be inferred . . . that if, in return for a similar concession to that granted by Cuba to the United States, the United States were to extend to a third Power the rates granted to Cuba, the latter might then claim from

proposal to Cuba in 1903 were also terminated by the news from Havana. In June, Carden reported that he was suspending negotiations with Cuba until the fate of the American treaty was settled. Estrada Palma was afraid of American reaction and was no longer in favor of immediate action.[1]

The American-Cuban reciprocity treaty finally cleared its last hurdle in the American Congress and went into effect in December of 1903. The bitter two year struggle for Cuban reciprocity was over, and presumably the way was clear for Cuba to make whatever commercial arrangements she could with other nations. Thus in 1904 the sporadic negotiations for a British treaty began once again.

The negotiations were prolonged as both countries continued to modify their positions. In January of 1904, the Cuban Congress passed a surtax law that led to an increase in the Cuban tariff of 25% or 30% on most of the rates.[2] Carden's fears had come true, for any raise in the tariff aided the American preferential advantage. The Board of Trade was now even ready to consider the possibility of retaliation against imports of Cuban tobacco and cigars into

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the United States a further proportionate reduction on the already reduced tariff."

[1]Carden to Lansdowne, June 17, 1903. F. O. 108/10.

[2]U. S. Tariff Commission, op. cit., p. 323.

Britain, but Carden's hints of this to Estrada Palma were unsuccessful. Seemingly the surtax did little to damage British exports to Cuba, but the desire to maintain freedom of action for possible retaliation in the future led the Board of Trade to suggest that the whole subject of custom rates be eliminated from the new draft treaty being drawn up by the Foreign Office.[1]

On July 25th, the Foreign Office told Carden to begin negotiations on the basis suggested by the Board of Trade, but the British minister still hoped to get some protection against future raises of the Cuban tariff. Carden first tried a plan by which Britain would accept a most-favored-nation clause that exempted the special treaty reductions given to the United States if Cuba would promise in return to maintain the existing rates on certain specified classes of British imports. This in essence was the counter-proposal suggested by the Foreign Office to the Cabinet in 1903. However, it ran into "serious opposition" both in the Cuban Cabinet and in the Cuban Senate Foreign Relations Committee, and, in December of 1904, the idea of such a Cuban promise was definitely rejected.[2]

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[1]Carden to Lansdowne, February 6, 13, and March 23, 1904; Board of Trade to F. O., February 2nd and March 23rd; Lansdowne to Carden, February 11th and February 24th. F. O. 108/11.

[2]Carden to Lansdowne, August 29, November 30, and

Carden now had an alternative suggestion. Britain would give Cuba most-favored-nation treatment only as long as Cuba gave no further preference to the United States. Thus Cuba would retain her right to make new arrangements with the United States, but Britain would be able to renounce the treaty on short notice. After more negotiations in which Cuba was given the same right to renounce, it seemed that Carden's efforts were finally successful. On February 27, 1905, he reported to London that the Cuban government had accepted the latest wording of the most-favored-nation clause and he hoped to have the treaty signed within a week or so.

The new most-favored-nation clause certainly seemed innocuous enough, and had been carefully phrased not to give offense to the United States. Britain would "not invoke" the treaty to share in the special reductions of the American Cuban treaty, but if either Britain or Cuba increased their tariff on foreign goods, "whereby products or manufactures of the other are placed in a more disadvantageous position than they at present occupy," the prejudiced country reserved the right to terminate either the most-favored-

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December 12, 1904; Carden to Villiers, private, September 19th; Board of Trade to F. O., September 23rd; Lansdowne to Carden, September 27th. F. O. 108/11. The specified classes selected by the Board of Trade were: iron and steel rails, bars and sheets; cotton thread and manufactures; linen and woolen manufactures; sugar machinery.

nation clause or the entire treaty with six months notice. But despite Carden's hopes, the Cubans continued to evade setting a date for the signing, and the British minister was "convinced that American influence is being exerted." On March 30th, the Secretary of State, Juan O'Farrill, told Carden that he had advised Estrada Palma not to sign unless modifications were made, particularly in the most-favored-nation clause allowing Cuba complete freedom to make new reciprocity agreements with the United States.[1]

Assistant Under Secretary of State Sir Eldon Gorst thought that such a proposal would "render ourselves ridiculous," but the Board of Trade was anxious to get most-favored-nation treatment from Cuba in other matters of "considerable value," particularly for British shipping, and they suggested that Britain revert to the idea of excluding customs rates entirely from the treaty. The Foreign Office told Carden to determine exactly what the Cubans desired and and to be "careful in your enquiries to avoid anything wh might cause rupture of negotiations."[2]

Carden's first talks with the Cuban Secretary of State were not too encouraging, for O'Farrill seemingly

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[1]Carden to Lansdowne, November 30, 1904. F. O. 108/11. Carden to Lansdowne, January 23rd, February 14th and 27th, March 21st and 30th, 1905; F. O. 108/12.

[2]Board of Trade to F. O., April 6, 1905; Lansdowne to Carden, April 8th. F. O. 108/12.

wanted to leave his country free to make special concessions to the United States, "not only as regards import duties, but in every other particular as well." But the situation brightened when Cuba once more modified its position and O'Farrill decided to waive the other alterations "provided Cuba be left quite free" regarding import duties. This made it possible for Carden now to suggest the article drawn up by the Foreign Office in July of 1904:

> No prohibition or restriction shall be maintained or imposed on the importation of any article of the produce or manufacture of the dominions and possessions of either of the High Contracting Parties into the dominions and possessions of the other, from whatever place arriving, which shall not equally extend to the importation of the like articles being the produce or manufacture of any other foreign country. This provision is not applicable to the rates of customs duties leviable on imports which remain regulated by the internal legislation of the two States. . . .

This was acceptable to O'Farrill, and, on May 4, 1905, the treaty was signed. Carden had been successful in getting "national treatment" for British shipping, and most-favored-nation privileges "immediately and unconditionally" in "all that regards the stationing, loading, and unloading of vessels" in Cuba if any concessions were made to a third power. The British had no protection against an increase in the customs, but even here O'Farrill hinted that some understanding was possible after the Presidential elections in

the fall.[1]

It seemed that the long negotiations were at an end, but the treaty was soon bogged down in the Cuban Senate. Public hearings were held at the insistence of the treaty's opponents, and the decision on ratification was postponed until after the Presidential elections. What was the problem? The Cuban minister in London assured Villiers that the Senate was not really opposed to the treaty, but that it was a matter of party politics. The majority of the senators were only interested in obstructing government business. According to O'Farrill, the delay was due to the obstruction of the Chairman of the Senate Foreign Relations Committee, but Carden did not find much evidence that O'Farrill was "pushing him," and it seemed to the British minister that the Cuban government was not unhappy over the postponement.[2]

There was another source of opposition that the Cuban government did not mention in its official explanations to the British. Carden had suspected that the United

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[1]Carden to Lansdowne, April 16, 21, 22, 27, and May 3 and 4, 1905. One argument used by Carden with O'Farrill to modify the Cuban's position was the fact that in December of 1903 Cuba had given Italy most-favored-nation treatment in all respects except reduction of duties on goods of other American states. For text of the Italian treaty see U. S. Foreign Relations, 1904, pp. 230-36.

[2]Carden to Lansdowne, July 7 and 12, 1905; Villiers' memorandum of August 3rd. F. O. 108/12.

States was exerting influence against a British treaty in March, and in July he reported that he had heard "on good authority" that his old opponent Squiers had protested against ratification of the present treaty.[1] Carden's source of information did not know the particular objections that the United States had, but his "good authority" was quite accurate as to American opposition.

The major reason that Carden had been so anxious to conclude a commercial treaty with Cuba was the well-grounded fear that the United States would exert more pressure on Cuba for additional concessions because of the unsatisfactory results of the reciprocity treaty. When Carden received the Cuban import figures for the first quarter of 1904, they bore out his prediction of the previous year that the American treaty would not seriously damage British trade. "By a marvellous piece of luck," he wrote Villiers, "the Reciprocity Convention has not injured our trade at all; indeed . . . our share of the Cuban import trade will this year be larger than it has ever been before." Thus it seemed obvious to Carden that more American pressure on Cuba could be expected, and his unsuccessful attempts in 1904 to get promises from Cuba stemmed from this analysis.[2]

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[1]Carden to Lansdowne, July 12, 1905. F. O. 108/12.

[2]Carden to Villiers, private, August 6, 1904; Carden to Lansdowne, August 3, 1904. F. O. 108/11. According

His forebodings seemed justified when late in 1904 a bill was introduced into the Cuban House of Representatives to raise the duty on imported rice. According to Carden, "American agents" were "actively canvassing" for votes on the bill, and there were rumors of bribes being offered for its passage.[1] This was a touchy subject for the Liverpool merchants and shippers. In the meeting with Lansdowne in 1903, the representative of the Liverpool rice trade had claimed shipments of over 46,000 tons of Indian rice to Cuba worth £400,000 in 1902. In addition to the commissions made by Liverpool merchants, there were substantial freight profits to British shipping lines at stake in the trade. Once again the Liverpool Chamber of Commerce was up in arms. The Foreign Office refused to consider their suggestions to concert with the German, Belgian, and Dutch governments, whose merchants would also be affected, but, on January 24, 1905, Lansdowne did meet with an "important deputation" from Liverpool "who advanced strong reasons for fear" of the rice bill. As a result of the interview, the Foreign Office instructed Carden to make the desired representations to Cuba pointing

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to Carden's figures, Britain's share of the Cuban imports had risen from 14.72% in 1899 to 17% in 1903, and he predicted a 21% share for 1904. The American Tariff Commission later placed Britain's percentages at only 15.69% in 1903 and 17.8% in 1904. U. S., Tariff Commission, op. cit., p. 327.

[1]Carden to Lansdowne, January 23, 1905. F. O. 108/12.

out the injuries to British trade that would result if the bill passed.[1]

The Cubans were caught in the middle of a tug-of-war between British and American pressure. According to Carden, the Cuban government was not supporting the bill--at least openly--and that the real aim of the bill was "to placate demands of Louisiana planters." When it passed the Cuban House of Representatives in June, the British minister reported that the Chief argument used was "the necessity of conciliating American goodwill."[2]

In actual fact, the State Department itself had been exerting pressure behind the scenes to bring about passage of the bill. At the same time that the Liverpool interests were asking the Foreign Office for assistance, the Rice Association of America and "important shipping interests" were urging the State Department to act. Orders went out to Squiers in January to use his "good offices discreetly to further

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[1]Liverpool Chamber of Commerce to F. O., December 28, 1904, and January 23, 1905, F. O. 108/11 and F. O. 108/12; Lansdowne to Carden, January 24th. F. O. 108/12. There are no minutes of this meeting in the documents.

Almost all of Cuba's rice imports were Indian rice. Most of it came by way of Britain, but some was transhipped by way of European continental ports. Louisiana and Carolina rice was much more expensive. See Carden memorandum of March 5, 1902. F. O. 108/9.

[2]Carden to Lansdowne, January 27 and June 29, 1905. F. O. 108/12.

in every proper way" the passage of the bill, and again in February the American minister was instructed to put his "discreet support" behind the legislation. When Squiers' "discreet support" proved inadequate, the State Department called in the Cuban Minister at Washington and applied some direct pressure. Assistant Secretary of State Alvee A. Adee was not impressed by the Cuban's fears of the effect in Cuba "of American monopoly and dictation and of increased price of food."

> I said these apprehensions were not in question. We aimed at mutual advantage, fair share of American trade and loyal development of the principle of reciprocity which is so vital to both countries. We attached great importance to rice provision. Failure to meet our just expectations could not fail to arouse injurious influences here.[1]

When the rice bill was rejected by the Cuban Senate in August of 1905, it was a distinct defeat for American policy, and it must have reinforced the State Department's dislike of the Anglo-Cuban treaty, and the signs of independence shown by the Cuban Senate.

The rice bill was a minor worry to the State Department compared to the prospect of an Anglo-Cuban treaty that

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[1]Hay to Squiers, January 12 and February 27, 1905; Adee to Squiers, March 25, May 1, August 6, 1905; see also Loomis to Squiers of April 19th in which Squiers was told not to push for free entry for American rice in fear of foreign protests and retaliation. He was to restrict himself "for the present" to the pending bill. State Department Instructions, Cuba, vol. 1.

would in any way bar further concessions to the United States. The Department made its position quite clear to Squiers in March of 1905 that "any agreement with Great Britain that directly or indirectly renders ineffective our advantages under reciprocity treaty, that grants Great Britain most favoured nation treatment or any commercial concessions whatever in the Cuban market will be most unsatisfactory to the United States."[1] This undoubtedly was the reason that Estrada Palma and O'Farrill changed their minds in March over the signing of the commercial treaty as agreed upon with Carden in February. The British Minister had been correct in his suspicions that "American influence is being exerted."

Nor was the United States willing to accept the modified treaty as signed in May. Both the Department of Commerce and the Treasury Department agreed with Squiers that a number of stipulations in the treaty could cause "embarrassments" for the United States in the future. The Department of Commerce drew up an additional article for insertion in the treaty that the State Department passed on to Squiers:

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[1]Adee to the legation, March 20, 1905, quoted in Fitzgibbon, op. cit., p. 109. Fitzgibbon is incorrect in his statements that Great Britain was prepared to make a reciprocity treaty with Cuba or that Great Britain was anxious to preserve its trade by concessions to Cuba in Britain. pp. 108-109. No concessions were ever offered or considered throughout the negotiations. Britain's only aim in 1905-1906 was to prevent further concessions by Cuba to the United States.

> Special political and geographical relations and other considerations, rendering it important to the Cuban Government to enter into mutual agreements with the Government of the United States of America, the two High Contracting Powers have agreed that any special advantages which have been or may from time to time hereafter be granted to the United States of America in consideration of such relations and considerations shall not in any case be invoked in favor of the relations sanctioned by the two High Contracting Parties by the present treaty.

On June 12th, Francis Loomis, the Assistant Secretary of State, made it clear that the administration was deadly serious about the change. As he instructed Squiers:

> You will state to the Cuban Government that if it expects this Government to continue its policy of commercial advantage for Cuba, the Government of the United States must request the Government of Cuba to insert the clause sent you. . . .
>
> The President directs me to say that the United States makes this urgent request not only in its own interests but far more in the interests of Cuba's future.
>
> If Cuba fails to grant this request she alone will be responsible for any trouble that may arise in the future with respect to the commercial relations between the two countries.

Two days later, Loomis told Squiers bluntly to "insist" upon the insertion of the additional article, and on June 15th Estrada Palma gave way to the extent of promising that he would try to have the treaty modified along the lines desired. In the event that the Cuban President did not try hard enough, Loomis sent the pointed observation to Estrada Palma that the United States was "glad to be spared the necessity of giving consideration at this time to the possible eventual denouncement of its reciprocity treaty with

Cuba."[1] It is little wonder that Carden found Estrada Palma and O'Farrill reluctant to push the British treaty in the Cuban Senate in July.

The question of American opposition to the British treaty came into the open in October with reports in both the American and the British press. The Foreign Office was already aware of the problem when their representative in Washington, Sir Henry Durand, cabled, on October 17th, that there were "indications in press and elsewhere that the Anglo-Cuban Commercial Treaty will not be viewed with favour in this country." Carden, in London at the time on leave, told Law that he believed the Senate would ratify the treaty despite American objections, but he suggested that Durand urge the American government to drop its opposition. Lansdowne as usual was loath to act, vetoing the suggestion on the grounds that "the less we do to accentuate the difference--if there be one--the better." Lansdowne and Gorst even refused to Have the treaty published for fear it would add fuel to the press campaign.[2]

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[1]Loomis to Squiers, June 6, 7, 12, 14, 19, 21, 1905. Peirce to Squiers of June 28th. State Department Instructions, Cuba, vol. 1.

[2]Durand to Lansdowne, October 12 and 17, 1905, and minutes by Law, Gorst, and Lansdowne, Law wanted to publish the treaty to counteract misinformation in the press. F. O. 108/12.

Durand became Ambassador to the United States in October of 1903.

But Carden had no doubts that there was a difference between the British and American governments. He vented his fears to Lansdowne in a strongly worded plea for a more active anti-American policy. In Carden's opinion, it was "scarcely possible to doubt" that the information in the press was "substantially accurate." They had already failed to get a Cuban promise on the customs duties, and now it seemed obvious that the United States was even opposing most-favored-nation treatment for British shipping. Judging from the failure of the rice bill, he did not think that the Cuban government or a majority of Congress wanted to injure British interests, but the "gross ignorance" of the Cuban public over the supposed benefits of reciprocity created a "serious danger" as the Cuban government would do anything to avoid an American denouncement of reciprocity. Even the best disposed Cuban government could not hold out long against American pressure "without the exertion of some counter pressure" in defense of British interests. Nor was the problem merely a Cuban one:

> It must, moreover, be borne in mind that the principle involved by the United States' attitude towards our Treaty will not be limited in its application to Cuba. The policy inaugerated by Monroe has already been extended to imply a right of intervention in the internal politics of all the States of the American Continent, and there is a movement now on foot, of which the present situation is the outcome, to claim that this entitles the United States to preferential rights in the trade of those countries. It is

> unnecessary for me to expatiate on the magnitude of the British commercial interests which would be affected thereby.

Carden was unimpressed by the argument that the American-Cuban relationship was exceptional. Not only could the United States always discover "exceptional grounds" for other cases in the future, but "a more or less tacit acquiescence" by Great Britain in America's present attitude towards Cuba would make it more difficult for the British "to make a stand at any future time when our commercial interests in some other country are similarly threatened." It was true that the "force of circumstances" might eventually give the United States the bulk of Latin American trade, but efforts by the British to retain their trade could lengthen the time that this would take.

> Cuba must be regarded as an outpost of the position which the United States are laying themselves out to capture, and the result of their present attempt cannot but have an important influence in determining their future action. But, if we are to expect the Cuban Government to loyally sustain the Treaty they have concluded with us, there must be no doubt in their minds as to our readiness to support them in the exercise of their unquestionable right to do so as an independent State.[1]

Carden painted a dark enough picture, but the Foreign Office still doubted that a more active British policy was feasible. As Gorst argued, the situation was certainly

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[1]Carden to Lansdowne, private, October 23, 1905. F. O. 108/12.

unsatisfactory, but "any attempt to deal strongly with the existing state of affairs might make matters worse." When the Foreign Office did make a mild approach to the United States, it was seemingly a reaction to more pressure from Liverpool rather than a response to the urgings of their minister in Havana. On November 9th, the reluctant Lansdowne met his fourth delegation about Cuban commerce, and it was probably in anticipation of their complaints that he told Durand of Carden's suggestion for a "friendly" representation to the American government and asked the ambassador if he thought such a step would be useful.[1]

The new deputation represented the Liverpool Chamber and a number of British ship owners associations.[2] Their attitude towards the Foreign Office was somewhat softer than in the past because of the defeat of the rice bill, a success which proved to Charles MacArthur that there were ways by which Britain could influence Cuba. What the delegation wanted of course was more influence to secure ratification of the pending treaty which was "just what is wanted" to

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[1]Lansdowne to Durand, November 6, 1905. F. O. 108/12.

[2]There were representatives from the Liverpool Chamber, the Chamber of Shipping of the United Kingdom, and ship owners' associations of Liverpool, the North of England, Glascow, London, Hartlepool, and the Clyde. See Liverpool Chamber to F. O., November 7, 1905. F. O. 108/12.

prevent "further aggression" by the United States. "We know the policy of America very well," complained the President of the Liverpool Chamber. "She never gives anything away, and she will take all she can get." What they were afraid the grasping Americans would take next was the Cuban shipping trade, in particular the British share of the sugar cargoes to the United States--estimated at from 1/3 to 2/5ths of the crop exported to the United States. The proposed treaty was a "matter of life and death," and, according to one delegate, if it was not ratified "it will be the beginning of a very long and a very severe fight" for "what is done with Cuba today America will seek to do with the Spanish American countries tomorrow. . . ."

Lansdowne was evidently in the mood for a lecture on the intricacies of diplomacy. As the Foreign Office was fully aware of the great importance of the interests at stake, the delegation "must leave us to fight the battles in the best way we can by the light of the knowledge we have as to the manner in which diplomatic questions of this kind can best be settled." Of course the delegates knew that an attempt to put pressure on the United States "is a somewhat delicate operation," and, if performed unskillfully or without tact, could defeat the object they had in view. It would be best if the interview were kept confidential and out of the press. He was in touch with Durand as to what

could be done at Washington, and everything possible would be done to secure the desired ratification.[1]

When Durand talked about Cuba to Elihu Root on November 10th, the new Secretary of State was rather vague. Root believed that "some people" objected "to certain clauses" of the British treaty, but he had not been able to go into the matter as yet "and does not know what the objections are." Although the American government "is very sensitive to pressure on behalf of American commercial interests," Durand thought that Root would give full consideration to any British representations. Lansdowne now decided it would be "safe" to allow Durand to discuss the objections "in a friendly manner" with Root and to express the British hope that the United States would not find it necessary to oppose ratification.[2] Root's next answer to Durand was more specific, but hardly enlightening. As Durand reported:

> Opposition to Treaty comes from American shipping interest. They apprehend that its effects will be to prevent their obtaining special concessions in nature of preferential port dues and the like.
> They have been told to present their case which at present is indefinite.

There had certainly been nothing indefinite about the State Department's threats to Estrada Palma in June, but

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[1]Proceedings of November 9, 1905. F. O. 108/12.

[2]Durand to Lansdowne, November 10, 1905; Lansdowne to Durand, November 13th, and minutes. F. O. 108/12.
Root took office as Secretary of State in July of 1905.

the Foreign Office drew the erroneous implication from Root's words that the American government had not yet opposed their treaty.[1] In any event, any hopes that the British may have had regarding Root were misplaced. An outspoken advocate of the Cuban reciprocity treaty, Root was one of those Americans who were unhappy with its results. As early as October of 1905, he had started negotiations with the Cuban Minister in Washington for a revision of the reciprocity treaty along lines more favorable to the United States.[2] These negotiations were seemingly unknown to the British, but Root's plans for Cuba were a greater danger to British trade than those of his predecessor.

Estrada Palma was reelected President in December of 1905, but the British treaty continued to languish in committee. In January of 1906, O'Farrill gave Carden "positive assurances" that it would be accepted in the present session of Congress, but the next month Carden reported that the treaty was again blocked in the Foreign Relations Committee. The Cuban Secretary of State assured Carden that his party was pledged to the British treaty, and he hoped for a fast ratification when the new Congress met in April. Was there any

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[1]Durand to Lansdowne, November 16, 1905, and minutes by Law and Lansdowne. F. O. 108/12.

[2]Philip C. Jessup, Elihu Root (New York, 1938), I, 527.

American opposition to the treaty? According to O'Farrill, it was merely a newspaper campaign and a misunderstanding over Squiers' complaints. O'Farrill assured Carden that the American government "had really never expressed any opinion about it at all, and on the contrary had disavowed to the Cuban Minister in Washington any responsibility for the attitude which Mr. Squiers had seen fit to assume and for the representations he had made in their name on the subject." According to O'Farrill, the removal of Squiers from his post in Havana the previous November "was largely due" to his unauthorized action against the British treaty.[1]

It is not clear what motives O'Farrill and Estrada Palma had in playing the British along in the fall of 1905 and the spring of 1906. Squiers was a tactless diplomat, and he had irritated the Cubans with his protests in 1905, but his removal by Roosevelt was certainly not due to any unauthorized action regarding the British treaty.[2] Was it a matter of Cuban pride? Or was the Cuban government trying to bluff the United States now that the elections were over? Root certainly had not changed the American position. When the American Chargé d'Affaires, Jacob Sleeper, reported a

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[1]Carden to Grey, January 20, February 15 and 28, 1906. F. O. 368/13.

[2]Squiers was removed over a statement to the Havana press regarding the Isle of Pines controversy. Fitzgibbon, op. cit., p. 110.

statement by O'Farrill in December of 1905 that the United States had no objection to ratification of the British treaty by the Senate, Root reminded Sleeper that the American attitude was still the same as it had been in the instructions to Squiers in June.[1] Or perhaps Squiers' successor as minister to Havana, Edwin Morgan, was correct in his belief that the Cubans possibly wanted to keep the treaty in committee indefinitely as a threat to the United States.[2] In any event, the British treaty, as signed, was doomed, and had been doomed, since the summer of 1905.

When the new Congress formed in April of 1906, Carden found that the Senate committee was still hostile, and that Estrada Palma's party was not definitely pledged to accept the treaty, but the government continued to hold out hope to the British. In May the Cuban minister in London told the Foreign Office that a large majority of the senators were in favor of the treaty and that ratification was only a matter of days, and O'Farrill told Carden of his confidence that the treaty would pass despite an adverse report from the committee. Carden, who had been appointed to the new post of Minister to Central America, saw no reason to

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[1]Root to Sleeper, February 12, 1906. State Department Instructions, Cuba, vol. 1.

[2]Morgan to Root, April 12, 1906, quoted in Fitzgibbon, op. cit., p. 109.

remain in Havana, and he left for Guatemala before the Senate made its decision.[1]

On May 30th, the Cuban Senate ratified the British treaty, but only after accepting two amendments to the most-favored-nation clause from the committee report. The first exempted the coastal trade and the fishing industry from most-favored-nation treatment, and the second completely undercut the British position by leaving Cuba free to make reciprocity arrangements on all matters rather than only customs duties:

> The two High Contracting parties shall in no case have the right to invoke the most favoured nation clause mentioned in this Treaty with respect to reciprocal or compensatory concessions which either of them may in future grant to a third Power.

O'Farrill still hoped the British would accept the treaty, arguing that the amendments to the most-favored-nation clause did not make "any essential alteration in its purport." The second amendment was only "an interpretation of the clause in a restrictive sense, as is done in some countries of America, which is based on scientific principles, and is well worthy of attention." As his government would never give preferential maritime concessions to any country, there was no threat to British shipping. Cuba only wanted complete freedom for tariff reciprocity, and was

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[1] E. G. memorandum of May 7, 1906; Carden to Grey, April 24 and May 15th. F. O. 368/13. Carden had been appointed Minister to Central America in December of 1905.

"most firmly resolved to deal with all nations on a basis of absolute equality as regards all the other matters agreed upon in the other Articles of the Treaty."

The Foreign Office was not impressed. They cared little about the fishing and coastal trade stipulation, but the "restrictive" interpretation of the most-favored-nation clause favored by "some countries of America" was another matter.

> They are asking us . . . to accept a declaration to the effect that we accept the American interpretation of the m. f. n. clause. We cannot do this on general grounds, notwithstanding the assurances they offer that in the present instance our rights would not be impaired.[1]

As the Conservatives were defeated in the Parliamentary elections in December of 1905, Lansdowne was no longer at the Foreign Office during the last stage of the Cuban treaty negotiations. When the inevitable question arose as to a complaint to the United States over ratification, the new Foreign Secretary, Sir Edward Grey, could not understand what the American government had to do with the matter. "That U. S. subjects are pulling the strings, I understand, but on what ground could we base a representation to the U. S. Govt.?"[2] Grey was seemingly unaware that some of those

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[1]Griffith to Grey, May 24, 1906, and minutes; and May 31st and minutes; June 11th and minutes; O'Farrill to Griffith, June 25th (received F. O. July 13th) and F. O. minute.

[2]Grey's minute on de Salis memorandum (21335). F. O. 368/13.

strings extended directly into the State Department at Washington.

What role had the American administration played in the latest changes that made the treaty unacceptable to the British? As seen by his note to Sleeper in December, Root had not changed the policy of the United States towards the treaty in the slightest. By the spring of 1906, special advantages for American shipping had definitely become part of Root's plan for revision of his country's own treaty with Cuba. When Morgan warned that "a direct recurrence to the same arguments" used by Squiers in the spring of 1905 would only "increase an irritation which has already been evidenced" by Estrada Palma and O'Farrill,[1] Root merely opposed the British treaty in a less belligerent way. As he cabled to Morgan on April 23rd:

> I have already shown to Mr. Quesada [the Cuban Minister at Washington] a draft of a treaty of commerce which I am preparing to submit within a few days, providing for reciprocal tariff advantages to goods carried in Cuban and American ships,and which I think Cuba should certainly keep herself free to consider. The terms of the pending English treaty seem to interfere with this. Of course, Cuba may . . . determine not to make such a treaty with us, but it would seem unwise for her now, by making the English treaty, to cut herself off from the possibility of making such a treaty with us, if she determines that it is for her advantage.[2]

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[1]Morgan to Root, April 12, 1906, quoted in Fitzgibbon, op. cit., p. 109.

[2]Root to Morgan, April 23, 1906, State Department Instructions, Cuba, vol. 1.

Root did not insist on the use of the article drawn up by the Department of Commerce in June of 1905, but the meaning was essentially the same. The wording of the clause finally accepted by the Cuban Senate was approved by Root and even amended to include "compensatory" as well as "reciprocal" concessions. The United States had exactly what they desired, and, as Root told Morgan on May 2nd, if the clause "thus amended be inserted we shall not be disposed to press further our objections to the proposed treaty with Great Britain."[1] The American intervention in Cuba in 1906 ended Root's negotiations for more American advantages and nothing came of his proposed new treaty of commerce, but the United States had effectively emasculated the British one.

While the Foreign Office was waiting for news of the action of the Cuban Senate, the Liverpool Chamber of Commerce was now plaguing the new Foreign Secretary in the same way they had often bothered his predecessor. And Grey, like Lansdowne, at first tried to avoid any interview. But British commercial pressure knew no party lines, and, after the

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[1]Root to Morgan, May 2, 1906, State Department Instructions, Cuba, vol. 1. The proposed American-Cuban treaty submitted to Quesada on May 8th raised the American preferentials on a number of products, particularly cotton and rice, and it would have confined the tariff concessions to goods carried on Cuban or American ships. Root admitted that Cuba would lose $121,000 a year in revenues by such changes, but he argued that the United States had to get "a just equivalent for what it accords to Cuba." See Jessup, op. cit., I, 527-29.

unwelcome news of the Cuban amendments arrived, Grey consented to meet privately with another delegation from a number of Chambers of Commerce and shipping organizations. The arguments used by this last of the delegations in favor of the open door in Cuba were much the same as those heard by Lansdowne in the past. Their aim, in the words of Austin Taylor, MP from Liverpool, was to ask the government to use "the resources of civilisation" at Washington and Havana in behalf of the British treaty.

Grey was no more anxious than Lansdowne had been to antagonize the United States, and, unaware of the State Department's opposition to the treaty, he was able to avoid the request for pressure on the United States. After telling the delegation that the Cuban Senate had destroyed the entire value of the treaty by its amendment, Grey vetoed the idea of another approach to Washington.

> It is not easy to bring pressure to bear at Washington, because the hand of the United States Government had not been in this amendment--
>
> Mr. Scofield:- United States Senators?
>
> Sir Edward Grey:- Yes. But American Senators do not form part of that Executive on which we have to bring pressure.
>
> Bringing commercial pressure to bear on the United States is a very large and difficult question. Further, it would be very undesirable to open up, in connection with Cuba, the question of commercial relations with the United States.

The only solution, according to Grey, was to attempt to get another and more satisfactory treaty from Cuba.

Britain had to point out to Cuba that it was inconsistent with its independence "to allow itself to be treated commercially as though it were a part of the United States," and that Britain had a right to expect more consideration from a friendly state. When an unconvinced delegate from the Clyde Shipowners Association wondered what security there was that Cuba would respond in the absence of British reprisals, Grey delivered a masterpiece of diplomatic vagueness:

> Sir Edward Grey:- The first resource of civilisation is argument. (Hear. Hear.) . . . What other resources there are besides argument is a delicate question. These other resources consist mainly in finding out something, the application of which shall be more disagreeable to the Country to which it is applied than to the Country which applies it.
>
> I can only say that, if the Treaty is to be made useless, I regard the present chapter as closed, and we now approach the chapter of the future. We shall have to consider what chance there is of restoring the Treaty to its original form. If the Cubans are willing, we can discuss this question. If they are not willing, pressure must be brought to bear, and it is too soon to say what H. M. Government can do in this direction.[1]

Whatever "resources of civilisation" Grey had in mind, they were never to be applied. When the amended treaty was referred to the Board of Trade, they advised that none of the Cuban amendments, except the fishing provision,

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[1]Notes taken at interview of June 21, 1906. There were representatives from the Associated Chambers of Commerce, the Chambers of Liverpool, Birmingham, London, Manchester, and Blackburn; the United Chamber of Shipping of the United Kingdom, and ship owners' associations of Liverpool, Clyde, and North of England. F. O. 368/13.

were "such as could be accepted" by the British government.[1] The negotiations were never resumed. By the time the Board returned their opinion, Cuba was in the throes of the revolution of 1906 which resulted in the intervention of the United States and the second American occupation of the island.

The attempt to maintain the "open door" in Cuba and the long unsuccessful negotiations for a commercial treaty show clearly the difficulties that the spread of American influence in the Caribbean could pose for the British Government. It is equally clear that the problem was an unwelcome one, and throughout the negotiations the Foreign Office had often been reluctant to act at all, much less in the vigorous manner advocated by Carden. What was done resulted only from constant prodding by British commercial interests, and the characteristic attitudes of the Foreign Office were fatalism as to the inevitability of American commercial inroads on British interests and fear that any real defense of those interests would lead to trouble with the United States. The representations made to the United States were half-hearted and often only for the record, and, judging by the unsatisfactory answers, this was obviously realized across the Atlantic. The only lapse in this policy were the rather

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[1]Board of Trade to F. O., September 24, 1906. F. O. 368/13.

contradictory instructions given to Carden in 1902, but the British minister himself served as a lightning rod to absorb the charges of "anti-Americanism" rather than the policy makers at home.

The Foreign Office had been fortunate in a number of ways. The edge was taken off the complaints when it became obvious that the American reciprocity treaty was not actually damaging existing British trade with Cuba. Some categories of British exports to Cuba were hurt, but the total value of British trade with the island was actually higher than it had ever been. In 1904, the first year of Cuban reciprocity with the United States, British exports were more than £500,000 higher than in 1903; and in 1907, 1912 and 1913, they topped £3,000,000 per year.[1] Prior to the American occupation of Cuba in 1906, the agitation had continued, but rising sales even in the absence of a British commercial treaty certainly took much of the urgency out of the negotiations.

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[1] Parliamentary Papers, Cd 2626 (1905) lxxx, and Cd 4784 (1909) lxxxiii, and Cd 7585 (1914) lxxxiii. The Tariff Commission's figures for British trade with Cuba during these years vary considerably in some cases, but the general picture of a greater British trade after 1904 is the same. However, British trade did not rise in proportion to the total of Cuban trade, having dropped to 12.17% of total exports to Cuba in 1913. See U. S. Tariff Commission, op. cit., p. 327. For the Tariff Commission's detailed analysis of the influence of the reciprocity treaty upon American-Cuban trade see pp. 323-55.

Then too, despite the dire warnings from Carden and others over the relationship of the Monroe Doctrine and trade, the Foreign Office could use the fact that Cuba's relations with the United States were unique in Latin America as a justification for excepting Cuba from its general policy of maintaining the open door. Although Roosevelt used other devices to create protectorates in Panama and the Dominican Republic, the economic device of reciprocity was not repeated. Even when Roosevelt took the Cuban precedent and transformed it into a general "corollary" justifying the right of the United States to intervene anywhere in Latin America, he did not combine this with any general drive for reciprocity. Indeed, judging from the bitter fight waged by the opponents of Cuban reciprocity, it is highly improbable that any such policy would have succeeded if he had desired it. By the fall of 1906 Root had even given up his efforts to widen the agreement with Cuba, and, as he wrote in October, he was unable to get "any encouragement to believe that any reciprocity treaty with anybody will receive any consideration from the Senate. There appears to be an abandonment of the whole doctrine."[1] Fortunately for the British, American enthusiasm for Latin American reciprocity had waned by

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[1]Root to General James Wilson, October 24, 1906, quoted in Jessup, op. cit., I, 529.

the beginning of the era of the "big stick."[1]

Of course the British merchants, manufacturers, and shippers did not have our advantage of hindsight. The spectre of German economic rivalry was not the only one haunting British commercial circles in the pre-World War I era. The awful prophecies and predictions of a "total annihilation" of British trade and the destruction of her Latin American commerce that arose out of the Cuban situation can only be understood in the context of the very real fear that many in Britain had of American economic competition throughout the world.[2] It would take more to down these fears than the statistics on Cuban trade.

Even when it became obvious that Cuban-American reciprocity had not destroyed British trade, men like Carden merely transferred their fears from the present to the future. Who was to say what the United States would do next? Carden and many of the representatives that met with Lansdowne and Grey were sure that they saw a connection between the Monroe Doctrine and American economic policies in Cuba,

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[1]For the decline of reciprocity sentiment in the United States in the early years of the 20th century, see Williams, op. cit., pp. 285-86; U. S. Tariff Commission, op. cit., pp. 27-30, 265.

[2]See R. H. Heindel, The American Impact on Great Britain, 1898-1914 (Philadelphia, 1940), chapter VII: "The American Peril," pp. 138-70.

and, while the urgency of their complaints declined, the apprehensions for the future remained. Carden, in particular, would remember his frustrating Cuban experiences in his new career as protector of British interests in Central America when "dollar diplomacy" would reinforce his fears of American policy.

CHAPTER V

THE NADIR OF BRITISH DIPLOMATIC ACTIVITY IN LATIN AMERICA, 1903-1908

British diplomatic activity in the Caribbean and Central America reached a low ebb during the years following the Venezuelan crisis. There were few serious controversies with Latin American states to disturb the Foreign Office, and the Admiralty's fleet redistribution worked against the ever-present tendency of the diplomats to resort to the use of naval vessels to maintain a degree of British influence in the area. Pressure from the British bondholders continued, but at no time during these years did the Foreign Office even consider taking a strong stand in their behalf. British policy towards bondholders' claims was just as half-hearted and feeble as the attempts of the Foreign Office to satisfy the British critics of American policy in Cuba.

Anglo-American friendship continued to be the prime determinant of British policy in the Caribbean. With the settlement of the potentially dangerous Alaskan boundary dispute by arbitration in 1903, Anglo-American relations were unprecedentedly cordial and free from serious disputes,

and the British government was more than ever determined to avoid even the appearance of opposition to the United States within the new American sphere of influence. The change to a Liberal ministry in December of 1905 brought no change in this policy. Indeed, the Liberal spokesmen had been quick to berate the Conservatives in 1902-1903 for jeopardizing Anglo-American friendship by their adventure with Germany in Venezuela. There were no party differences over the policy of deference to the United States in Latin America. As feelings hardened and naval rivalry with Germany intensified, the friendship of the United States became more important rather than less as the years passed.

The good relations with the United States enjoyed during these years did little to mitigate British fears of antagonizing the Americans by any display of independence in Latin America. Cordial relations with the United States was a new experience, and, while most of the British statesmen viewed the future of Anglo-American relations hopefully, it was an optimism tempered with caution. The American uproar over the Venezuelan episode confirmed their deep-rooted apprehensions over what they considered to be the illogical and mercurial nature of American public opinion. When Sir Henry Durand became the British Ambassador at Washington in December of 1903, he was delighted at the way Americans were speaking about England and about the "general good feeling"

in the air, but, in a letter to Lansdowne in January of 1904, he also added a characteristic note of caution:

> All this is very pleasant, But of course, though it is pleasant, and of solid advantage too, we must not expect too much from it. The Americans seem to me curiously emotional and touchy, and it would be very easy to rub the national sentiment the wrong way, particularly for us. They strike me as very simple and warmhearted in some ways, almost like children in their vanity, and almost like children in their resentment of any criticism.[1]

The presence of Theodore Roosevelt in the White House undoubtedly stimulated these apprehensions. It has been argued that one of the basic ingredients of Roosevelt's foreign policy was a feeling that Britain and the United States had basic common interests around the world, and that he consummated the "entente" between the two countries.[2] But at the time the British could not quite forget that some of Roosevelt's past statements and attitudes were not entirely reassuring. He seemed friendly enough, but he was not the type of President that could be taken for granted. Hay and Root were viewed as steadying influences on a President who could excite uneasiness as well as admiration among the British statesmen. "He must be a strange being," Lansdowne wrote to Durand in 1905, "but he is to me an attractive personality,

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[1]Durand to Lansdowne, December 4, 1903, and January 8, 1904. Lansdowne Papers, U. S., vol. 28.

[2]See Beale, op. cit., chapter 3: "Roosevelt and the Cementing of an Anglo-American Entente," pp. 81-171.

In the city, only 3 people

altho I should be sorry to have to deal with him if he happened to be in the wrong mood."[1] With the "Rough Rider" wielding the "big stick" in the Caribbean, the British had extra cause for caution in the area.

Another reason for the decline of British activity in Latin American waters was the policy of the Admiralty. Although there was no direct connection between the two events, it was rather fitting that Roosevelt should proclaim his famous "corollary" to the Monroe Doctrine at the same time that the Admiralty announced Sir John Fisher's plans for the reorganization and redistribution of the British fleet. While the American President was stating the right of the United States to act as an international policeman in Latin America if the necessity arose, Great Britain was

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[1]Lansdowne to Durand, February 4, 1905. Lansdowne Papers, U. S., vol. 28. Durand's estimate of Roosevelt as "impulsive, not to say aggressive" and as having anti-British prejudices was undoubtedly colored by the fact that he was not part of the President's intimate circle of friends as were the French and German ambassadors. But Lansdowne too thought that the loss of John Hay in the State Department might be "a great misfortune." Even James Bryce, who was a great admirer of Roosevelt, later thought that he had been "now and then a little dangerous as President." See Durand to Lansdowne, November 29, 1904, and Lansdowne to Durand of December 11, 1904. Lansdowne Papers, U. S., vol. 28; and Bryce to Grey, private, July 8, 1910. The Sir Edward Grey Papers (The Foreign Office Library, London), vol. 43. Cited hereafter as Grey Papers. For Roosevelt's relations with the different ambassadors and for his attempts to have Durand replaced, see Nelson M. Blake, "Ambassadors at the Court of Theodore Roosevelt," Mississippi Valley Historical Review, XLII (1955), 179-206.

implementing naval plans that would drastically curtail the traditional British role as a world-wide policeman.

When Admiral Fisher became First Sea Lord in October of 1904, he was able to turn his dynamic energy towards the long-overdue reform of the British navy.[1] It was a comprehensive reform scheme, embracing training and meteriel as well as a strategic redistribution of the fleet. The basic principle behind the composition of the new fleets was a concentration of sea power, particularly in home waters, and the primary strategic consideration was fear of Germany. To Fisher, an extreme Germanophobe, all other considerations paled before the threat of the German navy.

One of the presumptions that made the redistribution possible was continued friendship with the United States. Although he later became an ardent advocate of closer Anglo-American ties, Fisher at the time was motivated more by sheer strategic necessities than any admiration for the United States. As Commander-in-Chief of the North American Squadron from 1896-1899, he was unimpressed by the trans-Atlantic republic. As he wrote to Arnold White in 1902:

> We think of the United States as our friend. (I don't say so in public, but its all bosh!) New York

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[1]For the definitive study of the Fisher reforms, see Arthur J. Marder, From the Dreadnought to Scapa Flow, the Royal Navy in the Fisher Era, 1904-1919, Vol. I: The Road to War, 1904-1914 (Oxford University Press, 1961).

> only just comes after Berlin in being the largest German city in the world. There are scores and scores of American cities like Milwaukee where there is hardly anyone but Germans! Only 25 per cent of the United States population are American-born, the rest are chiefly Germans, and what are not Germans are Irish, who hate us only a little less than the German-American does! It won't do to proclaim all this in public, but I have made it my business to ascertain it as a fact when I was there, but don't quote it, as it will do no good.[1]

But if Fisher's ethnic information was a bit faulty, his strategic impressions were sound. He was acutely aware of the vulnerability of Canada,[2] and advocated a complete naval withdrawal from the Western hemisphere. As he argued to Viscount Knollys for the benefit of King Edward in August of 1904:

> Vast changes are indispensable for fighting efficiency and for instant readiness for war. We have neither at present! And we have got to be ruthless, relentless, and remorseless in our reforms! Otherwise, we may as well pack up and hand all over to the German! France is the one country we have got to be friends

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[1]Fisher to White, August 6, 1902. Arthur J. Marder, ed., Fear God and Dread Nought, the Correspondence of Admiral of the Fleet Lord Fisher of Kilverstone (Cambridge, Mass., 1952-59), I, 260-61. See also Fisher to the Earl of Rosebery, May 10, 1901, pp. 189-91.

[2]On October 4, 1907, Fisher wrote in a letter to King Edward: "When I was Commander-in-Chief in North America, I sent secretly an experienced naval constructor to visit the American shipyards on the Lakes, and he reported that they could build and arm men-of-war for service on the Lakes and in the River St. Lawrence in one hundred days in almost any numbers and could improvise the trading vessels on the Lakes at once for the service in almost limitless numbers, and yet there are thousands of foolish people in England who talk of throwing in our lot with Canada against the United States!" Ibid., II, 143.

only about twenty years in having one largest German city in the world. There are scores of Lutheran churches like Wisconsin where there is hardly anyone but Germans. Only a few years or two ahead [illegible] tion are Americans, the rest are chiefly Germans, and what are not Germans are Irish, who have by only a little less than the Germans. That is what is [illegible] all over in Europe, but I have seen it nowhere to such a degree as I am in Milwaukee. Don't [illegible]

[illegible] is Milwaukee almost known all over Europe [illegible] his sole topic of conversation [illegible] of the [illegible] [illegible] [illegible]

> with! I put the United States out of the question, as we ought to clear out from that hemisphere altogether![1]

In regards the Western hemisphere, Fisher's redistribution scheme was the culmination of a withdrawal that had been evident for years. Already inferior to the United States in the area by the turn of the century, British sea power, in any strategic sense of the word, was gone in 1905. What the diplomats had admitted in the Hay-Pauncefote Treaty of 1901, the admirals now accepted officially in 1905. The South Atlantic and Pacific squadrons disappeared. The "North American and West Indies" squadron became the "Fourth Cruiser or "Particular Service" squadron, a training squadron based at Devonport, England, which would make annual cruises in the West Indies and along the coast of South America. When this squadron was absent, British interests in the Caribbean were protected by a single cruiser stationed at Bermuda. One ship based at Esquimalt, Canada, was left to show the British flag on the West coast of North America and Central America, and that vessel was usually engaged in the Bering Sea fishing grounds. The dockyards at Halifax, Esquimalt, Jamaica, and St. Lucia were reduced to cadres, and, in February of 1905, the army withdrew its regular infantry

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[1]Fisher to Viscount Knollys (late August, 1904), Ibid., I, 327.

units from the West Indies.[1] By 1909 the impossibility of defending British possessions in the Western Atlantic was official doctrine of the Committee of Imperial Defense.[2]

The Foreign Office of course had no quarrel with the Admiralty over the basic strategic considerations of the fleet redistribution. The diplomats had made it possible not only in the Western hemisphere by the rapproachment with the United States but in the Far East and the Mediterranean

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[1]See Marder, From the Dreadnought to Scapa Flow, I, 40-42; Brassey's Naval Annual for 1905; Gelber, op. cit., pp. 131-32.

[2]"The possibility that . . . a formidable scale of attack might have to be encountered has already been recognized in the case of our defended ports in the Western Atlantic. The Admiralty, in a letter dated the 29th June, 1903, . . . addressed to the War Office, expressed the opinion that in the event of uncertain or hostile relations with a European naval Power at the time of an outbreak of war with the United States, it would not be possible for Great Britain to deplete her squadrons in European waters to an extent to place her on anything like an equality with the American fleet, and, consequently, that at the commencement of hostilities the United States' naval forces might hold the sea command in the waters of the Western Atlantic and Caribbean Sea.

"In view of the remoteness of the contingency of a war with the United States, and of the extreme difficulty of providing local defenses adequate to deal with the formidable scale of attacks that they could bring to bear, it has been decided by the Committee of Imperial Defense that attack by the United States need not be taken into consideration in determining the standard of defenses of ports in the Western Atlantic. The defenses are accordingly designed to meet the only form of attack that a European Power could bring against these ports, that is, a raiding attack by cruisers." From "Colonial Defense. Standard of Defenses at British defended Ports in distant Seas." C. O. No. 1018/09. Secret No. 405M. Paper 12 in CAB 11/118.

by the Anglo-Japanese alliance of 1902 and the new "Entente Cordiale" with France. What did bother both the Foreign Office and the Colonial Office were the drastic limits of the naval withdrawal from parts of the world and the effect that this would have on British diplomacy. One of the general criticisms of Fisher's reorganization found in the press and in military and naval circles was the danger to British prestige that could result from the scrapping and withdrawal of gunboats and small craft that had been used to "show the flag" in Latin America and elsewhere in the world.

Within the British government the Admiralty ran into heated opposition from the Foreign and Colonial Offices who were naturally loath to lose the instruments of gunboat diplomacy. It was not a new problem. According to Lord George Hamilton, a former First Lord of the Admiralty, Lord Salisbury had frequently pressed for "a wider and larger distribution of ships-of-war for diplomatic and other reasons. . . ."[1] But when all gunboats except for a few in China and along the West coast of Africa were withdrawn by Fisher, the argument became heated.

With his attention riveted on both efficiency and economy, the small vessels were an abomination to Fisher. "Just look at the mass of small craft we have in commission

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[1]Quoted in Bacon, op. cit., pp. 302-303.

all over the world," he wrote to Admiral Beresford in 1902. "They can neither fight nor run away. It is fearful to contemplate this fearful waste of men and money. Burn them all at once and damn the Consuls and Foreign Office!"[1] He had little sympathy for the British role as international policeman if it caused a dispersion of fighting ships. As he complained to the Earl of Rosebery in 1901: "Because in the days of Noah we did the police duties of the world at sea, we continue to do them still and have vessels scattered over the face of the earth according as they settled down after the deluge!"[2]

Fisher of course knew he was in for a struggle, and he took the position that the gunboats were not really needed for diplomacy. The only thing needed for "peace police duty" were "small mercantile vessels furnished with a Maxim gun, a White Ensign, and a retired naval officer." Perhaps the Foreign Office could even provide for such vessels.

> However, if this is too drastic, telegraphy has done away with the necessity of keeping vessels permanently on such service. Appeal by telegraph to the Admiral on the station will always bring fighting ships at high speed when required. . . .
> The Foreign Office will in time be bound to recognize the real efficacy of the scheme, even if a consul

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[1]Fisher to Beresford, February 27, 1902. Marder, Fear God and Dread Nought, I, 233-34.

[2]Fisher to the Earl of Rosebery, May 10, 1901. Ibid., p. 191.

> is robbed of the shadow of support of a gunboat under his window, but has the substantial strength of a first-class cruiser substituted at the end of a telegraphy wire.[1]

As it turned out, of course, it often took more than a telegraph wire to get a man-of-war on the scene in the time desired by the diplomats. During his first year as First Sea Lord, Fisher was already embroiled in an argument with the Foreign Office and the Colonial Office over the use of ships in Latin American waters. This dispute within the British government is of particular interest to a study of British policy regarding intervention, for during the years of Roosevelt's presidency there was only one instance after the Venezuelan blockade in which the Foreign Office seriously considered using force against a Latin American state. The offending nation was far from the Caribbean and the controversy was eventually settled peacefully, but the case of the Agnes G. Donahoe does throw some interesting light on both the British and American attitude towards coercion, and the behind the scenes controversy in London over gunboat diplomacy.[2]

On November 11, 1904, Uruguay seized the Agnes Donahoe, a small Canadian fishing vessel, on the charge of

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[1]From The Papers of Admiral Sir John Fisher, edited by P. K. Kemp (Navy Records Society, 1960), I, pp. 29-30, 38.

[2]The documents on the seizure of the Agnes G. Donahoe are in F. O. 51/276, 277, 278, and CP Uruguay 1, Confidential 8906, 9259, and 9693.

illegal sealing in Uruguayan waters, and interned the captain and crew pending trial. All of the crew except one were British subjects. The case was complicated by the absence of any specific Uruguayan law forbidding sealing in her waters, and when the British minister, Walter Baring, began investigating the case, he became convinced that the authorities were determined to convict the crew on criminal charges in order to establish a precedent. He reported the Uruguayans as uncompromising and vindictive and his fear of "a very gross act of injustice." When the Foreign Office authorized Baring to complain over the delay and to ask for a statement as to the specific crime involved, the Uruguayan Minister for Foreign Affairs merely took the position that the executive had no authority to interfere with the workings of the judiciary.

In January of 1905 the crew of the Agnes Donahoe was released, but, as the Captain was still detained aboard ship, the affair began to grow more serious. When the Colonial Office passed on a request from the Canadian government to the Foreign Office asking for action to secure the release of the captain and the ship, a formal note was sent to Uruguay on March 11th urging immediate release and remonstrating against the conduct of the case. When the Uruguayan answer was the same, Baring complained to London that Uruguay "endeavours to treat all European governments as negligible,

and there is not one of my colleagues who does not complain of the impossibility of arranging the simplest matter."[1] All of this had a familiar ring to the members of the American Department of the Foreign Office.

When the charges were finally formulated, they called for a five year sentence against the captain and two years for the mates on the charges of robbery, disregarding the maritime authorities, and not paying government fees. The Foreign Office decided to wait until the case was decided before protesting again, but plans were now underway for further action in anticipation of an unfavorable verdict.

As might be expected from the ministry that had suffered through the Venezuelan crisis, the first step was to contact the American government. With the approval of the Cabinet, Lansdowne informed Durand that the case might cause "serious trouble."

> Replies to our remonstrances are unsatisfactory, and continued neglect of our representations will create a bad impression not only here, but in Canada.
> We may find it necessary to take steps to enforce our demands, but before doing so we desire to take the U. S. Gov. fully into our confidence. Their support would be most valuable. You should therefore mention the matter to them, and invite their suggestions.[2]

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[1]Lansdowne to Baring, March 11, 1905; Baring to Lansdowne, March 21st. F. O. 51/276.

[2]Lansdowne to Durand, April 11, 1905. F. O. 51/276. As drafted the last paragraph of this despatch read: "We may find it necessary to take steps to enforce our demands,

When the British ambassador saw Francis Loomis on April 13th, the Acting Secretary of State told Durand that he would instruct the American representative in Uruguay to give unofficial support to Baring.

> He also said, laughing, that U. S. Govt. were tired of impertinent pranks of the South American republics and that we might be sure they would regard with complacence any action taken by us to bring Uruguay to reason. Nevertheless I think we should continue to keep U. S. Govt. carefully informed in advance. The public might not regard matter as lightly as State Dept. seem inclined to do.[1]

The next step was to sound out the Admiralty as to the best means of coercion if such became necessary. The Admiralty was clearly reluctant. They found none of the "alternative courses of action . . . which it is understood have been under discussion by His Majesty's Government . . . entirely free from objection." Any landing party of less than 3,000 men was "out of the question." A blockade of Montevideo could be easily carried out, but, as both British and neutral interests would also suffer, it would be "most desirable to avoid if possible." If extreme measures were necessary, a British cruiser could seize the Agnes Donahoe,

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but we desire to avoid any action which might be regarded with suspicion by the United States Government. You should therefore mention the matter to them, and invite their suggestions." The change was made by Lansdowne.

[1]Durand to Lansdowne, April 13, 1905. F. O. 51/276.

as the Uruguayan navy was of "trivial account," and, if more were needed, they could seize the whole Uruguayan fleet. However, they were certainly not encouraging the action, as the letter ended with the hope that the good offices of the United States "may tend to achieve a pacific and satisfactory result."[1]

After more delay and more complaints by Baring and the support of the American minister, the sentence was finally handed down in May of 1905. The court ruled that the crew had been sufficiently punished by their past detention, but the captain was sentenced to three years, the mates to one year, and the ship and cargo were embargoed to pay costs and claims. Lansdowne found the sentence "very savage." Was it to be tolerated? If not, what could be done next?

At the suggestion of the Foreign Office's legal advisors, the possibility of arbitration was now raised. Hurst had no doubts that Britain was justified in protesting once the case had been appealed through the Uruguayan higher courts, for Latin American courts "are not of a character to render it possible for any civilized Government to accept their decision as the final word when the welfare of that Government's subjects or citizens is concerned." Davidson agreed with Hurst's suggestion that they ask for arbitration

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[1]Admiralty to F. O., April 26, 1905. F. O. 51/276.

by jurists from the United States if the appeal were rejected. If arbitration were to be declined by Uruguay, "as it no doubt will be . . . United States' opinion will not be inflamed against us if we resort to force. It is, however, to be remembered before we employ force, or resort to reprisals, that ordinary legal remedies should be exhausted, and also in any case that an enormous amount of British capital is invested in Uruguay." When Alfred Lyttelton, Secretary of State for the Colonies, vetoed a United States arbitration board in anticipation of Canadian objections, it was decided to ask the United States to appoint a third arbitrator to join one from Canada and one from Uruguay, if arbitration became necessary.

But what could be done immediately? Villiers suggested that steps be taken "to save the master and mates from seeing the inside of an Uruguay prison" if the appeal were turned down and Uruguay refused to suspend the sentences and arbitrate the case. As the Admiralty had told him it would take a month to get ships to Montevideo, Villiers wanted the Admiralty to detach three cruisers from the Cape of Good Hope squadron for a visit to Buenos Aires in order to have them in the vicinity. On June 16th, the Admiralty told the Foreign Office that arrangements would be made for the ships to arrive at the end of July, but they viewed the task

with "considerable reluctance."[1]

At the time the request was made to the Admiralty, the Foreign Office stated that the "actual nature of the operations" was still under discussion. However, the Prime Minister had already opposed any land operations, and had suggested to Lansdowne that they find out if there were any Uruguayan seal rookeries that could be seized. Such a reprisal would cause no injuries to non-combatants and "it would not touch the Monroe Doctrine."[2] Baring preferred seizing an Uruguayan vessel or taking the Agnes Donahoe out of port, as the only real seal rookery was on Lobos Island in an exposed position along the Atlantic coast.[3] But the possibility was still being considered when Britain once again sounded out the United States.

On June 19th, Durand gave Loomis a memorandum stating that Britain was considering "what measures they may have to resort to" in the event that the appeal from the lower Uruguayan court was unsuccessful. If arbitration was not

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[1]Baring to Lansdowne, May 16, 1905, and minutes by Lansdowne, Hurst, Davidson, and Villiers; C. O. to F. O., June 2nd, and minutes by Villiers, Hurst, and Lansdowne; Villiers memorandum of June 9th; F. O. to Admiralty, June 13th; Admiralty to F. O., June 16th. F. O. 51/277.

[2]Balfour memorandum of June 10th, and Lansdowne's of June 16th. F. O. 51/277.

[3]Baring to Lansdowne, June 19, 1905. F. O. 51/277.

accepted, Britain might use "a convenient form of coercion" not prejudicial to neutrals, the temporary seizure of "the seals' rookeries, if such exist, on the islands where fishing has been conceded to a Company." The State Department betrayed little interest in the affair. The official answer of June 24th merely stated that the department was not aware that any American citizens had property rights or concessions "which might be affected by the proposed action, but it is hoped, and not doubted, that such interests, if any there be, will be duly respected."[1]

According to Durand, the Acting Secretary of State seemed to regard the matter "with indifference." As he reported in a private letter to Villiers:

> When I spoke to Loomis about the matter he said "Why don't you give them a licking? We should not be sorry to see them get it."
>
> The State Dept. is I think tired of the worry given them by these South American republics, and more than once some remark of the kind, has been made to me. But the popular feeling might be different-- and we should always be careful.[2]

But if the American State Department was willing to watch Britain give Uruguay "a licking," the British Admiralty was clearly loath to administer it. The Admiralty had been carrying on their own investigation into the case, and on June 26th they sent the Foreign Office the report and a

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[1]Durand to Lansdowne, June 26, 1905. F. O. 51/277.

[2]Durand to Villiers, June 26, 1905. F. O. 51/277.

letter bristling with objections. As the evidence showed that Uruguay was "fully justified" in capturing and condemning the Agnes Donahoe, the Lords of the Admiralty "would gravely deprecate any attempt to dictate to the Uruguayan Government by forcible means how their laws should be administered." The punishment of the captain and mates was "needlessly severe," but the "gravity of the departure from international custom is not such as to call for armed intervention on the part of Great Britain."

Not only would the cost of sending three ships to Montevideo be considerable, but there were perils lurking everywhere. The city could be bombarded from long range, but a seizure of the town was "wholly impracticable," and even the seizure of an Uruguayan vessel or the Agnes Donahoe in the harbor was "very risky." They still opposed a blockade, and, while it would be easy to seize Lobos island, they doubted that it would be a sufficient loss to Uruguay to bring them around. Then too, if the incident were prolonged, there was the risk of some mishap, and "the sinking of one of our ships would instantly precipitate a conflict, which, while it could have but one issue, would not redound to our material or moral advantage." And what if some other South American state, such as Brazil or Argentina with their "modern armoured squadrons" came to the aid of Uruguay? Unless the Admiralty were guaranteed this would not happen, they

would have to consider operations on a "much larger scale." All in all, it would be better if the matter were further considered by the Law Officers of the Crown before any definite steps were taken to send ships to the area.[1]

The real reason of course for the Admiralty's objections was the antipathy felt by Fisher towards the general use of men-of-war on such missions. He found it "remarkable" that the Admiralty was asked to use force to liberate a "poaching Canadian sealer," and, as he later wrote, for "a time the Admiralty was practically in revolt" against the government.[2] The Colonial Office seems to have been most insistent. According to Fisher, Lyttelton "wanted the Admiralty to practically make war on Uruguay" by sending ships to Montevideo to seize the Canadian vessel. "On that occasion I was had up before the Cabinet, and the only sensible men were the Prime Minister and the Lord Chancellor."[3]

In the end Fisher prevailed. When Lansdowne sent the Admiralty letter to Balfour, he included a long memorandum by Hurst disputing the Admiralty's position, and arguing that

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[1]Admiralty, Confidential letter M-0786, June 26th, 1905. The Admiralty's secret report on the case was dated June 22nd. F. O. 51/277.

[2]"Admiralty Policy, Replies to Criticism," October 1906, CAB 1/7/299, pp. 61-62.

[3]Fisher to Tweedmouth, October 4, 1906. Marder, Fear God and Dread Naught, II, 93-94.

there were good grounds for redress even if the crew were guilty. The Foreign Secretary wanted to know if the cruisers should be sent to Buenos Aires as planned, adding that he had it on "good authority that a sentence of three years penal servitude in an Uruguayan prison would seriously if not fatally affect the health of a European." The Prime Minister had a few sarcastic comments on the Admiralty's letter. He was sure the Foreign Office would be grateful "to the Admiralty for their views on diplomacy and law, and he read "with some alarm the formidable list of difficulties which must beset the greatest sea power in the world if it attempts to take an uninhabited Island from another power whose most formidable ship of war is a gunboat of 400 tons carrying four 12 pounders, and which does not possess a single torpedo boat--or even a single torpedo." But as he was "loath unnecessarily to risk one of H. M. cruisers in a contest with so formidable an opponent," Balfour decided not to press the Admiralty "to send any ships within the danger zone" until the possibility of arbitration had been exhausted.[1]

The ship sailings were cancelled, but the Foreign Office still maintained that there were legitimate grounds for complaint and insisted to the Admiralty that, if peaceful

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[1]Hurst memorandum of June 26, 1905; Lansdowne to Balfour, undated; Balfour memorandum of June 27th; Villiers to Lansdowne, July 1st. F. O. 51/277.

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means failed, coercion "must still be kept in view."[1] However, the case eventually ended in a great anti-climax. The United States agreed to appoint an arbitrator if necessary, but the occasion never arose.[2] After more prodding from the British and American representatives, the Uruguayan appeals court finally made its decision in August of 1905. The captain's sentence was reduced to ten months--to date from his arrest nine months before--and the mates were released. As the charge had been changed from "robbery" to "smuggling," Hurst believed that any strong diplomatic protest against the conviction was now impossible. When the ship was released to its owners, the episode was reduced to a claim for damages. The haggling lasted until 1908 when Uruguay finally made a private payment of $25,000 and brought an end to the case of the Agnes Donahoe.

Although coercion was never used against Uruguay over the seizure of the Canadian ship, it is clear that the Balfour ministry's "acceptance" of the Monroe Doctrine after the Venezuelan imbroglio did not mean that the Foreign Office had given up thoughts of using force against Latin American states. The Foreign Office had been very careful to consult

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[1]F. O. to Admiralty, July 11, 1905. F. O. 51/278.

[2]Lansdowne to Durand, July 8, 1905; Durand to Lansdowne, July 13th. F. O. 51/278.

with the United States and ask for American good offices, but the opposition to the use of force came from the British admirals rather than the diplomats. Balfour did not think that the seizure of rookeries in Uruguayan waters would "touch the Monroe Doctrine," and Loomis had expressed a willingness to see Uruguay get "a licking" and a complacency towards "any action" by Britain at the very time that Theodore Roosevelt was enunciating his "corollary" to the Monroe Doctrine.[1] Obviously the new American role of international policeman did not extend into the southern waters of the South American continent.

What did Roosevelt's famous reinterpretation of the Monroe Doctrine in 1904-1905 mean regarding European intervention in the New World? A careful reading of Roosevelt's statements shows that he neither forbade Europe to intervene under any circumstances, nor did he assume any blanket responsibility for the United States to intervene to prevent

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[1]Of course Roosevelt was worried about Caribbean customs houses rather than Uruguayan rookeries in 1905. Even more surprising was the answer given by the State Department to the French in 1905 when they told Roosevelt and Root that they might have to seize some customs houses in Venezuela. The French did not resort to force in their quarrel with Castro, but the United States merely asked for a pledge "that the landing of troops and the eventual seizing of a custom house" be limited to the shortest possible time if the French decided to do so. See Dexter Perkins, A History of the Monroe Doctrine (London, 1960), pp. 244-45.

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such action. For example, in his statements of 1904, Roosevelt spoke of the duty of the United States to intervene in the Western hemisphere in cases of "brutal wrongdoing, or an impotence which results in a general loosening of the ties of civilized society," and of the "exercise of an international police power" in "flagrant cases of such wrong-doing or impotence." In his annual message to Congress of 1905, the President carefully pointed out that a "tort against a foreign nation, such as an outrage against a citizen of that nation . . . does not force us to interfere to prevent punishment of the tort, save to see that the punishment does not assume the form of territorial occupation in any shape." In the more difficult cases of "contractual obligations" or "money claims," Roosevelt at times did seem to be giving a guarantee of American intervention to the European powers,[1]

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[1]"The case is more difficult when it refers to a contractual obligation. Our own Government has always refused to enforce such contractual obligations on behalf of its citizens by an appeal to arms. It is much to be wished that all foreign governments would take the same view. But they do not; and in consequence we are liable at any time to be brought face to face with disagreeable alternatives. On the one hand, this country would certainly decline to go to war to prevent a foreign government from collecting a just debt; on the other hand, it is very inadvisable to permit any foreign power to take possession, even temporarily, of the custom houses of an American Republic in order to enforce the payment of its obligations; for such temporary occupation might turn into a permanent occupation. The only escape from these alternatives may at any time be that we must ourselves undertake to bring about some arrangement by which so much as possible of a just obligation shall be

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but taken in context with his other statements it is clear that Roosevelt's corollary was only intended to apply to "flagrant" cases.[1]

But whatever the corollary did mean in theory, the actions of the Roosevelt administration did little to relieve the European nations of the problem of collecting their debts. As for the British, the corollary did not end the constant pressure from the British bondholders. The Roosevelt administration intervened only once under the justification of the Monroe Doctrine, and, although a debt settlement was reached, it was one the Council of Foreign Bondholders was later to call "about the most glaring and inexcusable instance of injustice that has come under their notice" since

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paid." From Roosevelt's annual message of 1905.

Thus it would seem that if a European country had a "just" claim and wanted to threaten the seizure of a custom house the United States would act. In his earlier message to the Senate of February 15, 1905, Roosevelt even seems to be saying that the United States would act to head off a blockade or a bombardment: "But short of this, when the question is one of a money claim, the only way which remains, finally, to collect it is a blockade or bombardment, or the seizure of the custom houses, and this means, as has been said above, what is in fact a possession, even though only a temporary possession, of territory. The United States then becomes a party in interest. . . ."

[1]In Dexter Perkins' words, Roosevelt's "doctrine of the police power had its practical qualifications and limitations; and indeed, in fairness to Roosevelt himself, it had always been limited in his own thought and speech to countries where virtual anarchy reigned." Perkins, The Monroe Doctrine, 1867-1907, p. 446.

their establishment.[1] On the surface this reaction seems strange, and to understand it some analysis of the British role in the genesis of the Roosevelt corollary is necessary.

Britain of course had an indirect influence on the enunciation of the corollary by her part in the coercion of Venezuela. The joint action with Germany and Italy may have been a diplomatic blunder, but as a claims collecting expedition it had worked, and the subsequent decision by the Hague giving priority of payment to the blockading powers was deeply disturbing to the American administration. On the other hand, the uproar in the United States led many in Great Britain to revive the argument already heard at times in the 19th century that the United States had responsibilities to Europe under the Monroe Doctrine.[2] There is no evidence that the British government entered the Venezuelan adventure with any intention of maneuvering the United States into accepting the role of Latin American policeman. Lansdowne and Villiers had been quite willing to enforce British demands in Guatemala as well as Venezuela in 1901-1902. But once American displeasure was manifested during the coercion, such

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[1]C. of F. B. to F. O., February 15, 1911. F. O. 371/1132.

[2]For the pre-Venezuelan blockade development of the idea behind the corollary, see Rippy, The Caribbean Danger Zone, pp. 37-49. The British bondholders' interest in the idea goes back to the 1850's in connection with Mexico.

arguments were inevitable in a country committed to a policy of friendship with the United States.

The British government, taking the position that the entire episode had nothing to do with the Monroe Doctrine, could hardly argue that the United States should intervene in such cases to uphold it, but official British spokesmen could and did suggest the desirability of the United States playing the role of Latin American policeman in order to avoid such incidents in the future. When Roosevelt told Ambassador Herbert in February of 1903 that American public opinion was opposed to the collection of debts by force, Herbert replied "that I supposed in that case he would be ready to police the whole American Continent and prevent the general repudiation that would most likely follow any declaration by the United States of such a policy."[1] Whether Roosevelt needed such hints from the British is open to question, but the Venezuelan blockade was certainly in mind the following year when the corollary was formulated. As he wrote to Elihu Root in June of 1904:

> If we are willing to let Germany or England act as the policeman of the Caribbean, then we can afford not to interfere when gross wrongdoing occurs. But if we intend to say "Hands off" to the powers of Europe, then

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[1]Roosevelt laughed at Herbert's observation "and said, 'That is just why I took the lines I did in my two messages [of 1901-1902].'" Quoted in Perkins, The Monroe Doctrine, 1867-1907, p. 364.

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The Caribbean "economy," [illegible] the [illegible] [illegible] [illegible] could barely [illegible] [illegible] [illegible]

sooner or later we must keep order ourselves.[1]

But while Great Britain was one of the participants in the Venezuelan blockade, her name was conspicuously absent from the roster of nations whose possible intervention in Santo Domingo was feared by Roosevelt. As it was the situation in Santo Domingo that precipitated the President's expansion of the Monroe Doctrine, the British Foreign Office were spectators rather than actors in the crucial international maneuvering that led directly to the corollary. Britain had comparatively few interests at stake in the island. Trade and investments were not extensive, and the French and Belgian holdings of the external debt exceeded that of the British bondholders.[2] The Foreign Office did exert some pressure on behalf of the bondholders in 1901 and 1902, but in

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[1]Roosevelt to Root, June 7, 1904. E. E. Morison, ed., The Letters of Theodore Roosevelt (Cambridge, Mass., 1951), IV, 821. The first public statement of the "corollary" was a letter written by Roosevelt and read by Root at a Cuban independence anniversary dinner in New York on May 20, 1904. See Ibid., p. 801.

[2]There were no reliable trade statistics with Santo Domingo. The Board of Trade figures included Santo Domingo and Haiti together until 1913. From 1900-1912, exports to both countries fluctuated from a low of £199,131 in 1902 to a high of £423,943 in 1911. In 1902 the Board of Trade placed the average at about £250,000. According to Rippy, British investments in Santo Domingo, including bonds, probably never amounted "to more than £3 million at any time." He gives the total nominal investment for 1890 at £1,418,300. See Parliamentary Papers, Cd 2626 (1905) lxxx; Cd 4784 (1909) lxxxiii; and Cd 7585 (1913) lxxxiii; Board of Trade to F. O., December 2, 1902. F. O. 23/99; Rippy, British Investments in Latin America, pp. 37, 109.

this instance the British government found themselves acting in conjunction with the State Department because of the ties between the bondholders and the San Domingo Improvement Company.[1] It is almost inconceivable that the Foreign Office would have given the bondholders any strong backing in 1904 so soon after the Venezuelan difficulties, but they were spared any agitation at the time because the Council of Foreign Bondholders was still following its policy of staying under the protective wings of the American company.

The history of the Dominican external debt, and governmental finances in general, was a particularly unsavoury one in the 19th century even by the standards of the day.[2] Beginning with a loan floated in London in 1869, there were the usual defaults and conversions with the only benefits being derived by speculators and corrupt Dominican politicians.[3]

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[1]The American company was sometimes referred to as the Santo Domingo Improvement Company, but its official name was the "San Domingo Improvement Company" of New York. Thus the incorrect use of "San Domingo" for the Dominican Republic is found at times in the documents.

[2]The authoritative study of the Santo Domingo debt prior to 1905 is J. H. Hollander's Report on the Public Debt of Santo Domingo of 1905. The history of the Dominican debt from 1869 to 1947 is treated in some detail as one of the case histories in Edwin Borchard and William H. Wynne, State Insolvency and Foreign Bondholders (New Haven, 1951), II, 199-280. See also the pertinent Annual Reports of the Council of Foreign Bondholders.

[3]The original Santo Domingo loan was so scandalous that it was investigated by a committee of Parliament, along

In connection with a bond issue in 1888, which was secured by a first charge on the entire revenues of the republic, the Dutch firm of Westendorp & Company received the right to collect the payments directly from the customs receipts by means of a Customs Board or Caisse de la Regie. When the Dutch company ran into financial difficulties, their rights were purchased by the San Domingo Improvement Company of New York. The misnamed Improvement Company, and its subsidiaries --the San Domingo Finance Corporation, the Central Railroad of Santo Domingo, and the National Bank of Santo Domingo-- thus came into effectual control of Dominican finances.

After new bonds were floated in 1893 and 1895, the company negotiated a new consolidation of the external debt in 1897. Two types of bonds were issued: those bearing 2 3/4% interest--the so-called "Brussels bonds" that ended up primarily in Belgium and France--and the 4% "Dominican Unified Bonds." The bulk of both categories of bonds-- £2,986,750 of the total issue of £4,236,750--were used for the conversion of older bonds. Although the Dominican government perhaps received as little as $450,000 from the transactions, a Belgian syndicate purchased over £500,000 at 24% of the remaining 2 3/4% bonds, and the Improvement

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with loans to Honduras, Paraguay and Costa Rica. See Borchard and Wynne, State Insolvency and Foreign Bondholders, I, 219.

Company took up £277,980 of the 4% bonds at 32% of face value.[1] Within a few years a considerable number of the total 4% bonds outstanding were held in England, perhaps over £500,000 worth by 1902.[2]

When Santo Domingo went into default in 1899 on an external debt of £3,885,350, it inaugurated a long series of complicated negotiations between the government, the Improvement Company, and the foreign bondholders, a situation that was further confused by the internal upheavals within the country.[3] After the President of Santo Domingo, in January of 1901, took the collection of the customs out of the hands of the Improvement Company, both the company and the Dominican

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[1]For the conversion arrangements of 1897, see Ibid., II, 220-23. The "New Unified Loan" of 1897 was divided into £1,500,000 of 4% bonds and £2,736,750 of 2 3/4% bonds. £850,000 of the 4% were used for the conversion of the 1895 bonds, and £2,136,750 of the 2 3/4% for the 1893 bonds. £351,400 worth of the 4% bonds of the 1897 issue went unsold, and in 1901 they were cancelled and returned to the Dominican government, leaving £1,148,600 of 4% bonds outstanding. Thus the total default as of 1901 was on a principal of £3,885,350, with interest arrears of about £303,000. See C. of F. B., Annual Report, 1900-1901, pp. 333-38.

[2]This is the "very approximate" estimate of the Council of Foreign Bondholders. C. of F. B. to F. O., April 24, 1902. F. O. 23/99.

[3]The best account of American policy in Santo Domingo during these years is in Munro, op. cit., pp. 78-111, 116-25. For a summary of what the Foreign Office knew of the situation as of 1908, see Leslie's "Memorandum respecting the Santo Domingo Debt," February 15, 1908, printed for use of the Foreign Office. F. O. 23/106.

government appealed to the State Department, but Washington at this point merely advised direct negotiations.

In March of 1901, the Dominican Minister for Foreign Affairs reached an agreement with the Improvement Company to protect their interests in return for certain concessions, and then offered the foreign bondholders a new arrangement by which the outstanding bonds would be retired at 50% of their face value. The Belgian and French bondholders accepted the new offer,[1] but the Council of Foreign Bondholders, believing that the security was insufficient, thought it would be wiser to have the influence of the Improvement Company behind the British holders.

The Dominican Minister for Foreign Affairs and the Company agreed to extend the arrangement of March "so as to include all the interests represented by the Council." But when the Dominican Congress accepted the arrangement with the French and Belgian bondholders and rejected the agreement with the disliked Improvement Company, the Council of Foreign Bondholders, on December 20, 1901, appealed to the Foreign Office for aid.[2]

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[1]In 1900, the Belgian bondholders had officially broken their ties with the Improvement Company by withdrawing their authorization to the company to represent them. Borchard and Wynne, op. cit., II, 226.

[2]C. of F. B. to F. O., December 20, 1901. F. O. 23/98.

Up to this point the Foreign Office knew little of the situation in Santo Domingo, but as they aided the holders of Guatemalan and Venezuelan bonds in 1901-1902 in joint action with European powers, they now acted in concert with the United States in the island republic. After ascertaining through Pauncefote that the United States had instructed its minister to exert its good offices in behalf of the Improvement Company, the Foreign Office instructed Consul General Cohen, the British representative for Haiti and Santo Domingo, to do the same.[1] There was never any question of strong diplomatic action by the British, as the entire maneuver by the Council was an attempt to get the all-important backing of the United States forthe British holders. When Cohen reported that the Dominican government wanted to know the amount of the British claims, the Council told the Foreign Office that they were "upwards" of £500,000. But in a private letter to Villiers, the Vice-President of the Council, Sir C. W. Fremantle, made it quite clear that they did not want to be treated with separately from the Company.

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[1]F. O. to C. of F. B., January 6, 1902; C. of F. B. to F. O., March 25th, and minute by Villiers; Lansdowne to Cohen, April 2nd. F. O. 23/99. Lansdowne to Pauncefote, January 1, 1902. F. O. 5/2484.

Great Britain did not have a minister in either Santo Domingo or Haiti. The Consul General for both countries resided at Port au Prince, Haiti, and the only British representative in Santo Domingo itself was a Vice Consul. The Vice Consul from 1899 to 1908 was Henry Gosling.

> I add a line to our official letter about San [sic] Domingo just to say that we hope that Mr. Cohen's request to be informed as to the amount of the claims of the British Bondholders does not mean that an attempt is being made to detach & separate these claims from those represented by the Improvement Company, which are being, as we understand, strongly supported by the United States Government. . . .
>
> It is quite possible that Mr. Cohen may not be greatly impressed with the Improvement Company, but we believe that the interests of the British holders of San [sic] Domingo bonds will be best protected by keeping under the skirts of the Company & not by negotiating separately on their own account.
>
> We rather hope therefore that the F. O. will be able to continue (as we understand they had already done) to instruct Mr. Cohen to back up the action of his American Colleague.[1]

The Council's strategy seemingly worked. The Improvement Company agreed to accept a total sum of $4,500,000 for all its rights and interests, but, when the negotiations broke down over the manner of payment, the American minister exerted more pressure. The result was a protocol, signed between the United States and Santo Domingo on January 31, 1903, referring the terms of payment to an arbitral board chosen by the presidents of the two countries. One of the interests to be relinquished by the Company were all of the Dominican bonds "of which they may be the holders, the amount of which shall not exceed 850,000 . . . and shall be no less than 825,000." With the exception of 24,000 of 2-3/4% bonds, these were to be of the 4% class, and a list of the

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[1]C. of F. B. to F. O., April 24, 1902; Fremantle to Villiers, April 24th, confidential. F. O. 23/99.

bonds was to be submitted to the arbitrators.

After more pressure from the United States, the arbitration got underway, and the award was announced on July 14, 1904. The $4,500,000 was to be paid in monthly installments to a financial agent appointed by the United States. The customs revenues of Puerto Plata and three other northern ports were assigned as security, and, in the event of default, the agent was authorized to take over collections at Puerto Plata and the other ports if the revenues there proved insufficient. The value of the bonds to be delivered by the Company was now set at £830,654, to be retired at 50% of their face value.[1] The Council of Foreign Bondholders had been very successful in keeping "under the skirts" of the Improvement Company. The fact that most of these bonds were held in Britain was neither mentioned in the protocol of 1903 nor the award of 1904. They had seemingly secured the same 50% settlement as the French and Belgian bondholders with much better security.

It was this award that played a major role in the chain of events leading to the establishment of American control of the customs. The Dominican government was in no position to carry out any of its financial arrangements, and,

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[1]For the text of the protocol of January 31, 1903, and the arbitration award of July 14, 1905, see U. S., Foreign Relations, 1904, pp. 270-79.

[illegible] was to be [illegible] the [illegible].

After much pressure from the [illegible], the [illegible] and the Anti-Imitation [illegible] Act of 1905, see D. M., "Boycotting [illegible]," [illegible], pp. [illegible].

[illegible] the Tube Trust [illegible] Monopoly Act of January 21, 1903, [illegible] 1904. The [illegible] it [illegible] monopoly and [illegible] tration Out Monopoly," in the [illegible] the Bundesgesetzblatt, 1904, p. [illegible]. [illegible] Limpedia - Trust Busting," [illegible] Encyclopedia Britannica, [illegible] [illegible] Monopoly Act of [illegible] [illegible] [illegible]

when the inevitable default occurred on the first monthly payment to the Improvement Company, the financial agent took over the administration of the custom house at Puerto Plata in October of 1904. After the Dominican government failed to meet its obligations to its many other creditors, they too became insistent on a settlement, and it was this European pressure that caused Roosevelt to act to head off any foreign intervention or control. The result was the treaty of February 1905, between the United States and Santo Domingo in which the United States undertook to adjust all the debts and claims of the small republic, and to collect all of the customs, turning over 45% of the receipts to the Dominican government and using the remainder to pay her creditors. When the American Senate failed to act on the treaty, Roosevelt put the same arrangement into effect by means of a modus vivendi by which an American "General Receiver and Collector" was appointed, and the money set aside for debt payment was to be deposited in a New York bank pending the investigation of the claims.[1]

What were the British reactions to Roosevelt's new use of the Monroe Doctrine? Ambassador Durand realized the possible significance of Roosevelt's utterances, but seems to have been equally impressed by the opposition to the

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[1]The modus vivendi was in operation from April 1, 1905, to July 31, 1907.

corollary. As he reported after the Senate adjournment in March:

> It is possible that this question may become one of exceptional importance. It has given rise to much discussion regarding the future attitude of the United States in the matter of the Monroe Doctrine, and also regarding the constitutional powers of the President and Senate. At present I think the balance of public opinion inclines to the view that the President has been wrong on both points--that he has shown a tendency to ignore the constitutional rights of the Senate, and that his interpretation of the Monroe Doctrine would impose upon the United States new and undesirable obligations. But the American public is curiously ignorant of everything connected with the conduct of foreign affairs, and it is by no means certain that the Senate is any better informed. It remains to be seen whether that body will find itself able to carry its views into practical effect.[1]

There are no indications that the Foreign Office, which had had no connection with the events in Santo Domingo since 1902, expected any general application of the corollary.

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[1]Durand to Lansdowne, March 20, 1905. The only Foreign Office minute to Durand's despatch of February 17th, in which he sent a copy of Roosevelt's message to the Senate of February 15th, was by Larcom: "The President has to some extent been moved to later action in S. Domingo by the decision in favour of our preferential treatment at the Hague, and the fear of U. S. interests being similarly relegated to a back place in some other S. A. Republic." F. O. 23/106. Vice Consul Gosling found the "better class of the natives is distinctly in favour of the agreement while opposition to it is chiefly to be found among the political enemies of the Government, professional revolutionaries, and all other enemies of peace and order. . . . There can be no doubt but that with a guarantee of peace and with the probable influence which will be brought to bear in the future by the United States in Dominican affairs, the credit of the country must improve considerably and an excellent field for foreign enterprise will be opened." Gosling to Vansittart, January 17, 1905. F. O. 35/180.

They were probably gratified that the American arrangement reflected the idea that the Monroe Doctrine implied American duties as well as rights, but they were well aware that there was a difference in American politics between the statement of a policy by the executive and its acceptance by the legislature. There was certainly no opposition in London to the United States creating a new protectorate in her "sphere of influence," particularly when British interests were seemingly protected. When Durand informed the Foreign Office of the modus vivendi, the Chief Clerk of the American Department merely noted that the arrangement seemed "a good one for all parties."[1]

What of those in Great Britain most directly affected--the British bondholders? Without American intervention the Dominican bonds would still have been next to worthless. They certainly had cause for rejoicing over the effects of Roosevelt's statements, but already there were complaints that Roosevelt was not doing enough to carry out his own

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[1]Larcom minute to Durand's of March 30, 1905. F. O. 23/106. The British press was generally favorable to the corollary. See Perkins, The Monroe Doctrine, 1867-1907, pp. 444-45. The South American Journal of February 18, 1905, found Roosevelt's declarations on the responsibilities of the United States "interesting and important," and hoped that Roosevelt would take strong measures in Venezuela as well. British investors in Latin America had "everything to gain and nothing to lose from President Roosevelt's declared policy of applying the Monroe Doctrine in what may be called a broad and equitable spirit."

corollary, or more accurately the corollary as interpreted by the Council of Foreign Bondholders. In their annual report for 1904-1905, the Council noted that the past year "has witnessed a very remarkable appreciation in the market value of Spanish-American Securities."

> It is understood that the increase in values is largely due to the idea that the recent utterances of President Roosevelt with regard to the Monroe Doctrine were intended to indicate that the United States Government would not allow the Spanish-American Republics to take advantage of the protection afforded them by the United States in order to evade the payment of their liabilities to their foreign creditors, and that if they did not, in the President's words, "act with decency in industrial and political matters, keep order and pay their obligations," the United States would take steps to compel them to do so. It is sincerely hoped that this may prove to be the case. The attitude of the United States Government in connection with Panama, Santo Domingo and Guatemala . . . cannot, however, be regarded as affording the English Bondholders much cause for congratulations.[1]

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[1]C. of F. B., Annual Report for 1904-1905, pp. 11-12. The prices cited by the Council for eight countries were:

	1901	1902	1903	1904	1905
Colombia	14	18	24 1/2	24	44
Costa Rica A	16 1/2	24	22	26	56
Costa Rica B	15	19	19	19 1/4	46
Guatemala	13	27 1/2	21	24	39 1/2
Honduras	5	5 1/4	5 1/4	6	13
Nicaragua	57 1/2	66 1/2	60 1/2	59	79
Paraguay	23	27	29	35	50
Uruguay	49 1/2	55 1/2	58 3/4	59 1/2	72
Venezuela	26	29	32 3/4	42	51

For the Council's views of the Monroe Doctrine, see their Annual Report for 1905-1906, pp. 14-22. The Council concluded that the Monroe Doctrine, "as expanded into what may perhaps now be more properly called the Roosevelt Doctrine, contains two cardinal points: (1) That while they cannot oppose the European Powers from obtaining redress for

There was never unalloyed joy at the Council of Foreign bondholders, and, despite the general rise in the values of Latin American bonds, the progressive disillusionment of the Council with the Roosevelt Corollary began at the very time it was being enunciated. The Guatemalan external debt was not only still in default, but Estrada Cabrera had just alienated again the coffee export duties that had been assigned to the British in 1895, this time to an American syndicate as security for a loan.[1] In the case of Panama the Council had attempted to take Roosevelt at his word. Colombia went into default on her external debt in 1900, and the Council had hoped that some of the money offered her by the United States for canal rights would be used to liquidate the bondholders' claims. But when Panama seceded in 1903 and became an American protectorate, the Council began its

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wrongs inflicted on their subjects by the Latin-American Republics, the United States claim that their consent must be obtained before any coercive action is taken, and (2) that as the interference of the European Powers in Latin America is liable to give rise to complications and endanger friendly relations, it is the duty of the United States to see that the Latin-American Republics give no cause for such interference, 'by behaving with decency in industrial and political matters and paying their obligations.'"

J. Fred Rippy's "The British Bondholders and the Roosevelt Corollary of the Monroe Doctrine" contains a survey of the C. of F. B.'s reaction to the corollary during the Roosevelt administration based on the annual reports. Political Science Quarterly, XLIX (June, 1934), 195-206.

[1]C. of F. B., Annual Report for 1904-1905, pp. 231-43.

unsuccessful attempt to induce the new republic to assume a proportion of the external debt of Colombia.[1] When Panama refused to deal with the matter on the grounds that Colombia had not recognized her, the Council, in December of 1904, asked Roosevelt to arbitrate. When Hay told them that the President would be unable to do so, the Council invoked the corollary:

> Unless some sort of pressure is applied we feel that any settlement of the matter may be indefinitely postponed, and in justice to the Bondholders the Council venture to request that Your Excellency's Government will withhold any further payments to the Government of Panama until a settlement has been arrived at.
>
> In spite of the fact that the President of the United States is not able, at any rate at the present time, to accede to the request of the Colombian Bondholders as regards arbitration, the Council still venture to hope that, as it is in the interest of Panama itself to come to an honorable arrangement, that they may rely on his powerful assistance in expediting this desirable object, in accordance with the policy foreshadowed in his recent message to Congress.

Hay's answer was terse. As the Council was not "a citizen of the United States," they could not claim the assistance of the American government "in the collection of Bonds against Foreign Governments," and the State Department could take no action on their behalf. What type of Roosevelt corollary was this? As the President of the Council argued in a letter to Hay on March 10th, Roosevelt had

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[1] Ibid., pp. 13-14. The correspondence between the C. of F. B. and Panama and with the American State Department is printed on pp. 87-97.

intervened in Santo Domingo and had again reaffirmed the principle of American responsibility in another message to Congress.

> We had therefore, we submit, good reason to hope that the President would be prepared to assist the holders of Columbian Bonds, whose claims are at least as good as those of the Santo Domingo Bondholders, and who, we venture to think, have a right to especial consideration in view of the prejudice which they have suffered in consequence of the secession of Panama from Colombia.[1]

The pleas of the Council were to no avail. Roosevelt had declined to act according to his own "proper interpretation of the Monroe Doctrine." Colombia resumed the service of her external debt in 1905, but the new agreement of that year was negotiated by the Council without the help of either the Foreign Office or the State Department.[2]

It was obvious that the Roosevelt administration had no intention of intervening throughout Latin America for the aid of European bondholders. But what complaints did the Council have over the American attitude in Santo Domingo, the one country in which she had intervened to settle claims? Their first apprehensions arose over the modus vivendi

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[1]Avebury to Hay, January 26, 1905; Hay to Avebury, February 10th; Avebury to Hay, March 10th. Ibid., pp. 95-97.

[2]For the text of the Holguin-Avebury Agreement of 1905, see Ibid., pp. 99-104. 15% of the customs revenues were assigned as security. One-half of the payment of interest arrears was contingent upon the settlement of the disputes with France and the United States over the canal.

announced by Roosevelt, which, in effect, set aside the arbitral award of 1904 to the Improvement Company by its provision that the customs revenues earmarked for claims settlements were to be deposited temporarily in a New York bank. The Secretary of the Council, J. P. Cooper, at first thought this was due to some misunderstanding on the part of Roosevelt and Secretary of War Taft, and asked the Foreign Office to inquire into the matter. After talking to both Taft and Loomis, Hugh O'Beirne, the First Secretary of the British Embassy, sent a note to the State Department on May 26th expressing the "anxiety" felt by the British "shareholders" over the absence of "any explicit recognition of the special rights" of the Improvement Company in Roosevelt's order to put the customs revenues in a New York bank. An assurance from the United States that it did not intend to disregard these rights "would go far to allay the shareholders' apprehensions," and Lansdowne "would be glad to receive such an assurance." The State Department's answer was far from reassuring. The President was "unable at present to recognize any special rights and privileges" of the Improvement Company "over any other creditors, American or foreign, of Santo Domingo." If such were "eventually accorded," it would be after the Senate acted on the proposed treaty.[1]

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[1]Cooper to Villiers, private, May 4, 1905; Lansdowne to O'Beirne, May 11th; O'Beirne to Lansdowne, May 26th and

The Council expressed "regret, and indeed bewilderment" at the answer. What made the injury more "hurtful" was the fact "that in reliance upon the Protocol and Award, British subjects have since purchased a large interest thereunder, which together with that previously owned amounts to fully one-third of the sum covered by the Award."[1] Needless to say the suspension "has brought about a heavy depreciation in the value of the Bonds included under the Award." At the Foreign Office, Larcom too found the answer "unsatisfactory" and "unreasonable" but thought that it could "scarcely be supposed" that the United States intended to repudiate "the validity of the Arbitral award to which they were practically parties."[2]

The explanation to the Council's bewilderment was quite simple. Their tactic of alliance with the Improvement Company was now beginning to boomerang. O'Beirne had sensed that all was not well when he presented his note in May.

> I understand the treatment of which the Improvement and allied Companies complain is not entirely the result of a lack of sufficient information on the part of the President and the Secretary of War, as intimated in

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July 1st, and to Villiers, July 4th. F. O. 23/106.

[1]As the bonds were to be retired at 50% of their nominal value by the award, the British holdings of Dominican bonds at this point would have a nominal value of £600,000.

[2]C. of F. B. to F. O., August 3, 1905, and Larcom's minute. F. O. 23/106.

> Mr. Cooper's letter. . . . There exists a certain amount of hostility to the Companies in the Senate, and the President appears to have been unfavourably influenced by adverse reports . . . regarding their dealings with the Santo Domingo Government.[1]

In actual fact, Roosevelt had already decided to withdraw support from the company regarding their privileged position. He instructed Jacob H. Hollander, his special agent in the investigation of the claims against Santo Domingo, to include the Improvement Company with the other claims.[2] When Hollander completed his detailed report of the Dominican debt documenting the unsavoury nature of the past transactions, the Council's ties with the Improvement Company had become a liability rather than an asset for the British bondholders.[3] When Durand talked to Root in October of 1905, the Secretary of State frankly told him that the debt owed the Company was "on the same footing as other debts" admitted by Santo Domingo, "and that all claims connected with these

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[1]O'Beirne to Lansdowne, May 26, 1905. F. O. 23/106.

[2]Roosevelt to Adee, March 28, 1905. Morison, The Letters of Theodore Roosevelt, IV, pp. 1148-49.

[3]Roosevelt wrote to Hollander on July 3, 1905, that if the statements about the Company made by Colonel George Colton, the Collector of the Dominican Customs, were true, "we must take sharp measures to disassociate the Government from all responsibility for the debt and must, in my judgment, go even further by having a report made backing up Santo Domingo in refusing to pay the debt save such part of it as is just and proper." Ibid., p. 1259.

it as ". . . just and proper." Ibid., p. 1259.

Santo Domingo in refusing to pay the debt save such part of ment, do even further by having a report made backing up from all responsible for the debt and must, in my judgcolony, the Dominican Customs, were true, me must [illegible] to dissociate the Government it the statements about the Company made by Colonel Dennis

[illegible] [illegible] [illegible] [

debts must be examined on their merits."[1]

By the suspension of the arbitral award of 1904, the British bondholders had lost their privileged position, but the effect of the general debt settlement worked out by Hollander and the Dominican Finance Minister in 1906 was to place them in a worse position than the French and Belgian holders. Because of Senate opposition to the idea of making the United States responsible for settling the Dominican debt by treaty, the American administration decided to attempt to aid Santo Domingo to make the necessary arrangements before a new treaty was drawn up on the customs receivership. While Dominican representatives negotiated a $20,000,000 loan from Kuhn, Loeb and Company of New York, Hollander, acting as a confidential agent of President Roosevelt, helped the Dominicans draw up a general plan by which the various claims were scaled down from 10% to 90%. The French and Belgian bondholders were offered a settlement based on the agreement they had accepted in 1901 by which they would receive 50% face value for their bonds. However, the claim of

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[1]Durand to Lansdowne, October 26, 1905. F. O. 23/106. The American contention was that the arbitration award referred only to the rate of interest and installments, and that the amount of the claim had been fixed by direct agreement between the Dominican Government and the Improvement Company. Therefore, presumably, the amount of the claim could be reexamined without violating the award. However, the award had been based on a payment of $4,500,000, and the American justification seems to be a bit of legal hair-splitting.

the San Domingo Improvement Company was reduced to 90% of $4,500,000 upon which the arbitral award was based. Thus the British bondholders, who were to receive 50% of the value of the bonds by the award, were faced with a similar reduction that would make their bonds worth less than the French and Belgian. When the Council of Foreign Bondholders complained of discrimination, Hollander refused to deal with them as a separate claimant.

In response to an appeal for aid from the Council, the Foreign Office told the British Embassy in Washington to find out the actual situation and express hope that the American government would prevent any discrimination. When Esme Howard, the Councillor of the Embassy, talked to Assistant Secretary of State Robert Bacon, the American denied that there was any discrimination. According to Bacon, the British claims "formed an inseparable part" of the Improvement Company's. The British bondholders were not separate creditors "but form, as it were, part of the shareholders" of the company. As the American government "had pressed for the best terms possible" for the company, it would be best that they accept the arrangement. If there were more delay, the claim might be further reduced if examined on its merits. In a letter to Howard, Hollander claimed that it was up to the company to determine how the proceeds of the claim were distributed. Under the award of 1904, the bonds listed were

to be delivered by the company to the Dominican government, and, if the company no longer owned the bonds, they were still in a different class from the independent French and Belgian securities.[1]

The Council of Foreign Bondholders was of course unconvinced by the American explanations, and found it "difficult to discuss this cynical summing up of the situation without indignation." They hotly denied that they were "shareholders" of the company as their relations with them had been solely concerned with the bonds of the external debt and not with any of the other interests of the company. According to the Council, the bonds were not purchased from the company after the protocol of 1903. At the time of the Dominican default in 1899, members of the Council were already holders of a large amount of Dominican bonds. If British investors, "as no doubt many did," bought bonds on the open market later in anticipation that the award would be carried out, "it is all the more reason for not tampering

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[1]C. of F. B. to F. O., December 14, 1906; Grey to Durand, December 15th; Durand's telegram of December 22nd. F. O. 371/81. Howard to Grey, December 29, 1906, and enclosure Hollander to Howard of December 24th. F. O. 371/265.

According to Hollander's description of the Dominican debt in 1905, the "bonded debt" did not include the bonds of the arbitration award. They were placed in the category of the "liquidated debt," that is, those debts secured by international protocol or formal contract. See Borchard and Wynne, op. cit., II, 250-51, and Otto Schoenrich, Santo Domingo, A Country with a Future (New York, 1918), pp. 352-61.

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with the Award in which these investors placed their faith." The Council claimed that the American government and Hollander knew all along that all of the bonds specified in the award were not owned by the Improvement Company, as they had given detailed information at the time on the British holdings and never pretended that the Company owned them.[1]

The Foreign Office was reluctant to accept the Council's position as their own, but they did instruct Howard to tell the State Department of the Council's arguments. When Howard did so in a memorandum in January of 1907, Bacon said the Council's contentions would be considered, but that the matter was practically settled as the Improvement Company had formally accepted the new agreement. As for the Council's

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[1]C. of F. B. to F. O., January 3, 1907, and January 10th. F. O. 371/265. However, Judge Otto Schoenrich, Hollander's secretary during the investigation of the Dominican debt, claimed that the British bondholders "had remained discreetly silent while the State Department was pressing" the Improvement Company's claim "thinking it completely American." Schoenrich, op. cit., p. 371.

Although there was a public issue of the 4% Dominican bonds in 1897 on the London market, it ended in complete failure. The C. of F. B. was able to cite some "early" purchasers of the bonds, but it seems that most of the bonds originally came into the hands of English bankers as security for loans made to the Improvement Company. When the company could not repay the loans, the bankers acquired ownership of the bonds. The Council argued that it made no difference whether a part of the bonds were taken over as security or purchased on the open market. In any event, a "very large amount" of the bonds included in the award later changed hands. See Borchard and Wynne, op. cit., II, 222-23, 226, 255-57; C. of F. B. to F. O., March 4, 1907. F. O. 371/265.

argument that the British bondholders deserved equal treatment with the others if the arbitral award was reopened, Bacon reiterated " with some emphasis" that they formed "one body" with the Company, and "hinted" that the Council should attempt to get the 10% difference from the Company rather than the Dominican government. Even when Howard tried to get him to admit that the bondholders had a better position than the other shareholders of the company, Bacon was "unyielding."

As Howard realized from his conversations with Bacon, there was not the slightest chance that the American government would try to pursuade Santo Domingo to make any concessions to the British bondholders, "and thereby risk upsetting the settlement which has only been arrived at after prolonged negotiations and considerable difficulty." Bacon had made it "sufficiently evident" that Roosevelt, "who takes a great personal interest in the settlement of the Dominican debt question," wanted to treat the whole claim of the company, "including that of the British bondholders," en bloc, and did not feel that the United States was justified in insisting on the full amount of the award. Howard saw no advantage for the Council in holding out for a 50% settlement. Their best course, he wrote Grey, "is to accept a bird in the hand

and close with the proposed settlement."[1] Howard's pessimism was reinforced by a conversation with Professor John Bassett Moore, who was representing the Company, in which Moore explained that the Company had accepted the reduction because further struggle was hopeless.[2] Howard continued to pass on the complaints of the Council to the State Department, but it was obvious that the United States would not budge.

Despite the fact that the Foreign Office told them that the matter was not, "at its present stage at least, one which calls for diplomatic representations,"[3] the Council denied that the Improvement Company could accept the arrangement for the British bondholders and continued to press the Foreign Office for assistance. The acceptance of the Treaty of 1907 by the American Senate spurred the Council on to more complaints. They had not approved the Company's acceptance of the agreement, and the Company had refused to pay the bondholders the 10% reduction. They were being "pushed from pillar to post," as the Company blamed the American government, and the government told them to deal with the

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[1]Grey to Howard, January 16, 1907; Howard's telegram of January 19th and despatch of January 21st. F. O. 371/265. Howard to Grey, January 25th. Grey Papers, Vol. 42.

[2]Howard's telegram of February 11, 1907, and despatch of February 14th. F. O. 371/265.

[3]F. O. to C. of F. B., February 4, 1907. F. O. 371/265.

Company. They admitted that the bonds were to be delivered to Santo Domingo by the Company, but only on the terms stipulated by the award, and the award itself had been suspended by the United States. They were tired of the "insinuations" being made about the British bonds when nothing was said about the large profits made by speculators in the Brussels bond, and the depreciation of the British bonds was "solely due" to the action of the United States' government.

Although Larcom thought that the bondholders had been "badly treated," he pointed out to Grey that the dispute was now of "rather academic interest" unless they took "a very strong line in the matter," which would be more than the Foreign Office was "usually disposed to do" in the interests of bondholders. Under Secretaries of State Eldon Gorst and Charles Hardinge both felt that it would be useless to contact the United States again, and Ambassador Bryce at Washington took the same view. But Grey was evidently impressed by the Council's defense. Pointing out that it was not clear that Root had seen the earlier memorandums, he instructed Bryce to lay the case before the Secretary of State.[1]

As Bryce was out of Washington when the instructions arrived, Howard drew up another long memorandum on April 2nd

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[1]C. of F. B. to F. O., March 4, 1907, and minutes; Bryce to Grey, March 4th; Grey to Bryce, March 13th. F. O. 371/265.

and gave it to Bacon to pass on to Root. Howard became slightly optimistic when the Council's statement that a number of the British holders of the bonds were original purchasers of the 1897 issue seemed "to come as a new light" to Bacon. But when Bryce talked to Root a few days later, it was obvious that nothing had changed. Nothing could be done to interfere with the treaty while it was still awaiting Santo Domingo's ratification. Root "seemed indisposed to express an opinion either way" as to what might be done later, but the passage of the treaty was vital. Root made it clear that the interests of the British bondholders were quite insignificant compared to the interests of the United States:

> It was the policy of the United States now that their interest in the Panama Canal had made them more concerned with the petty States in and around the Caribbean Sea to do all they could to secure peace and as much good government as possible in those communities, which they were far from wishing to incorporate, but whose prosperity and tranquility they must desire.[1]

Although Santo Domingo ratified the treaty with the United States in May providing for American control of her

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[1]Howard to Grey, April 5, 1907; Bryce to Grey, April 11th; see also Bryce's of April 19th. Bryce's conclusion: "The whole question now resolves itself, as it seems, in this--Can the British Bondholders be held to have, by their action in 1903, become one body with the Improvement Company viz-a-viz of the Dominican Government, or would the latter be legally bound to treat them still as a separate body having a separate claim? So far we have only statements from either side which are diametrically opposed, to guide us in forming an opinion." F. O. 371/265.

customs, the loan contract with the New York bankers was modified by the Dominican Congress. As the financial "panic" of 1907 was underway, the bankers now withdrew their offered loan, and forced Hollander and the Dominicans to work out a new arrangement for paying the claims. Instead of full payment in cash, Santo Domingo's creditors were now offered 20% in cash from the money that had been accumulating in the National City Bank of New York under the modus vivendi, and the balance in new 5% Dominican bonds to be taken at 98 1/2% of face value. The sums to be paid were the same as those agreed upon in 1906, and in the ensuing negotiations the Improvement Company failed to get better terms. Once again the Belgian and French bondholders were consulted, but the Council of Foreign Bondholders was ignored.

Agreeing with the Council's complaint that the British holders should have had the same right as the French and Belgian to consider the new proposal, Grey made one last attempt to aid them. He instructed Bryce to "make every endeavor to secure fair treatment for the English bondholders." It was futile. When Bryce talked to Root on January 2, 1908, the Secretary of State "listened with attention but in replying gave me to understand that the United States Government would continue unwilling to intervene in the matter, nor do I see any prospect that this attitude will be

changed."[1] The Foreign Office decided that nothing more could be done. When the Council of Foreign Bondholders again complained and asked for information by way of Bryce, they were bluntly told that the British Ambassador could not act "as the Agent or mouthpiece of the Council." As the United States government was not disposed to intervene, the Foreign Office could only "leave it to the parties themselves to negotiate as to the details of the settlement."[2] The Council continued to press for some assistance, but the cause was hopeless.

Although the Council issued "Certificates of Claim" against the Dominican government, the British bondholders could do nothing but deliver the securities under the terms agreed to by the Improvement Company. As the Council claimed with some justice, the award of 1904 was dead and buried, but the British bondholders were "chained to its corpse."[3] What was the final monetary result of the attempt to get American influence by staying "under the skirts" of the Improvement Company? According to the Council, for each £100 of bonds held by the French and Belgian investors, $293.50 in cash

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[1]Grey to Bryce, December 6, 1907. F. O. 371/266. Bryce to Grey, January 5, 1908. F. O. 371/466.

[2]C. of F. B. to F. O., January 22, 1908; F. O. to C. of F. B., January 31st. F. O. 371/466.

[3]C. of F. B. to F. O., January 22, 1908. F. O. 371/466.

and new bonds was received, while the British holders of the same amount received only $233.50 for the 4% bonds and $160.55 for the 2 3/4% ones.[1] To the objective observer, they may still have received more than was just for the old bonds, but to the Council the United States was off to a bad start in living up to its "responsibilities" under the Monroe Doctrine. The "corollary," even where applied by the Roosevelt administration, had done nothing to relieve the Foreign Office of the vexing problem of complaints from the British bondholders.

Nor were the bondholders the only ones unhappy with the situation in Santo Domingo. When the Dominican government refused to consider some other outstanding British claims in 1908, the British representative in Santo Domingo, Vice-Consul Edward de Garston, complained that the government "does exactly what it pleases with regard to all matters and questions which refer to foreign nations other than the United States of America."

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[1]See C. of F. B., Annual Report for 1908, pp. 357-62. The more than 10% difference was caused by different treatment of interest arrears and the expenses to the British bondholders for the negotiations leading to the protocol of 1903 and the award of 1904.

In 1911 Alfred Innes of the British Embassy at Washington calculated the total loss at about £100,000 for the British holders, but this is based on a British holding of £830,000 of the 1897 bonds, which seems too high. Innes memorandum in Bryce's of March 11, 1911. F. O. 371/1132.

> This Republic may be likened to a badly damaged barrel organ which at the present time only emits American airs and which is actually undergoing repairs at the hands of American operators. . . . All things considered, the American Modus Vivendi may be looked upon as an exceedingly good investment for the United States, but a very unsatisfactory arrangement for all other Nations, who see before them a powerful trustee who brooks no interference, but at the same time is only occupied in collecting the Republic's Revenues for its own and American interests, and precludes the creditors of other nations from obtaining their just dues.

De Garston's superior, Consul General Alexander Murray at Port au Prince, Haiti, not only agreed with this rather ungenerous estimate of American policy, but he had a proposed solution. Murray wanted to visit Santo Domingo on a British man-of-war and discuss the claims. Such a mode of transportation would act as a salutary threat and raise British prestige. The Foreign Office naturally refused. The use of force was out of the question, not only because the claims were small, but because of the ever-present fear of offending the United States.[1] But the statesmen in London were more receptive to his complaints about the new naval policies. According to Murray:

> In old times Haytian and Dominican ports were very frequently visited by His Majesty's ships on the West Indian station but of late years, with the exception of an occasional visit to Port-au-Prince at times of special emergency, this practice has been completely abandoned, greatly to the loss of British subjects resident

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[1]De Garston to Murray, June 6, 1908, in Murray to Grey, June 16th, and minutes. F. O. 371/467.

> in the Island, who are now, especially in Santo Domingo, looked upon as pariahs that anyone may illtreat with impunity.

Although Murray was intensely anti-American and never given to understatement, the Foreign Office was sufficiently aroused to ask the Admiralty, in January of 1909, to send a ship to Santo Domingo in the spring and to continue the practice on an annual basis. The Admiralty agreed to a visit in April, but balked at an annual commitment. It would be better, they argued, "that the desirability of such visits should be considered from time to time as occasion requires, as it is not certain that in future years circumstances will be such as to render a visit by one of His Majesty's Ships necessary."[1]

The whole question was rather insignificant, and the unrecognized British claims were settled later in 1909 when the claimants, at the urging of the Foreign Office, accepted a partial lump-sum payment.[2] But the general position in which the Foreign Office found itself regarding Santo Domingo was one example of a pattern of British diplomatic activity

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[1]Murray to Grey, December 26, 1908, and minutes; F. O. to Admiralty, January 26, 1909; and to Murray of January 26th. Admiralty to F. O., February 8th. F. O. 371/680.

[2]When Britain pressed for arbitration of the claims, the Dominican government offered a payment of about $26,000 for approximately $125,000 in claims. Most of this went to the West India Public Works Co. See F. O. 371/679.

in the Caribbean that had developed out of the conjunction of the spread of American influence in the area and Fisher's views on the use of naval vessels. In this pattern, the Foreign Office often found themselves the men in the middle. On the one hand were the claimants and bondholders desiring more vigorous action in their behalf, and the Foreign Office's own representatives on the spot hankering for the good old days of gunboat diplomacy; on the other hand were the often uncooperative admirals. The Foreign Office resisted and vetoed any suggestions or action that could offend the United States, but at the same time they resented the Admiralty's reluctance to cooperate in doing what little the statesmen thought could be done safely to maintain a degree of British prestige in the area.

To understand the Foreign Office's position in full context, it is necessary to return to the clash of ideas within the British government caused by Fisher's fleet redistribution and withdrawal of small craft used for "police duty." The difference of opinion between the Admiralty and the Foreign and Colonial Offices had been evident during the last year of the Balfour ministry during the Agnes Donahoe incident.[1] The inter-departmental bickering continued when the Liberals came into power and reached its height during

[1]The Foreign Office had also been unhappy over the removal of one of the stationaires from Constantinople in 1905.

the first years of Sir Edward Grey's stay at the Foreign Office, when a number of incidents combined to put Fisher on the defensive. In 1906 his critics within the government and the press became more vocal over the absence of any British ships during the Cuban revolution, a mutiny in the British protectorate of Zanzibar in September, and the earthquake in Chile in August and September. When American ships reached the scene of the Jamaican earthquake disaster in January of 1907 ahead of the British vessels and landed relief parties, there were loud cries of indignation, and even some friends of Fisher's reforms wondered if his cuts had not gone too far. As Brassey's Naval Annual commented:

> In reviewing the squadrons we now keep in commission on extra-European waters, it is well to consider whether the policy of concentration has not, in certain cases, been carried beyond the limits of safety for the widespread interests and commerce of the British Empire. Having regard to the withdrawal of white troops from the West Indies (in spite of the protests of the inhabitants), it is regrettable that United States warships should have been the first to reach Kingston after the earthquake, and that it was United States and not British sailors and marines who were landed. Again, though we have frequently urged in these pages the withdrawal of the numerous useless sloops and gunboats which we used to maintain in commission on foreign stations, we cannot afford to leave our commerce in any quarter of the globe at the mercy of any small cruiser or armed merchantman.[1]

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[1]The Naval Annual for 1906, pp. 45-46. The Jamaica earthquake occurred on January 14th and the first British ship did not arrive until the 22nd. Punch on January 30th took the following dig at the Admiralty: "Britannia (on quay at Kingston): 'Anybody seen my White Ensign? I've

Within the government there was strong pressure on the Admiralty from both Grey's Foreign Office and Lord Elgin's Colonial Office. As Hardinge argued to the Admiralty in March of 1907, they should face the risk of possible loss of isolated ships "for the sake of the world-wide interests of the Empire." And Lord Esher, a member of the Committee of Imperial Defense, agreed that "the practical needs of this scattered Empire, especially from the point of view--sentimental, if you please,--of Palmerston's 'Civil Romanus,' have been somewhat overlooked."[1]

Fisher's critics made little impression on the First Sea Lord's attitude towards the use of men-of-war. His defense was based on the contention that Grey's and Elgin's subordinates "quite unduly magnify any want of Admiralty attention to their requests . . . and it can be incontestably proved that any reasonable requirement of the Foreign Office or the Colonial Office has never yet been resisted by the

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been waiting a week for it.' Mr. Punch: 'You've got to wait, Ma'am; that's the new system.'"

The Governor of Jamaica, Sir A. Swettenham, was not entirely happy with the activities of the American relief force, and an ill-tempered letter from him to the American admiral caused some mild excitement in the British and American press. The incident led to Swettenham's resignation, and the Foreign Office and the State Department outdid each other in quieting it down. See F. O. 371/358.

[1]Marder, From the Dreadnought to Scapa Flow, I, 53.

Admiralty."[1] Chile "is a civilized country" that should be required to protect foreigners in times of crisis. As for Cuba, the protection of British interests "was very properly entrusted" to the American navy. The island was "almost a protectorate" of the United States, and, with American intervention pending, it would have been "very undesirable" to land British personnel even if a British ship had been present.[2] Regarding Jamaica, Fisher thought it rather unreasonable to be attacked in the press "for not having an ambulance corps of cruisers and gunboats distributed over the earthquake area of the globe!"[3]

The first case in which the lack of a British ship in the Caribbean affected the Foreign Office was the Cuban revolution of 1906. When the British Vice-Consul first called for a ship to protect British property from the insurgents, the Foreign Office found out that there were no British vessels in the West Indies. The closest ship was in Bermuda, 1500 miles away, and it needed a change of crew. The Foreign Office was forced to appeal to the State Department for American naval protection. The United States

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[1]Fisher to Tweedmouth, October 4, 1906. ADM 116/942. (Case 6655)

[2]Quoted in Bacon, op. cit., p. 301.

[3]Fisher to James Thursfield, January 20, 1907. Marder, Fear God and Dread Naught, II, 115.

responded, and after the American intervention, a claims commission was set up to handle all claims arising from the revolution.[1]

Did the American intervention in Cuba and the protection of British interests during the revolution mean that there was no real need for British ships in the Caribbean to cope with revolutionary disorders? Unfortunately for the Admiralty's peace of mind, it soon became obvious that Roosevelt's extension of the Monroe Doctrine was not going to relieve them of complaints from the diplomats anymore than it had relieved the Foreign Office of pressure from bondholders and claimants. According to an Admiralty memorandum of October 1906, the "battle" over gunboat diplomacy "has been fought and won, and it only remains for the Admiralty to adhere to its principles and decline to give way simply for the sake of a quiet life."[2] However, the Admiralty did give way a bit in 1908 when it slightly increased British naval

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[1]For the pertinent correspondence on the Cuban revolution of 1906, see F. O. 371/56. The fact that the Foreign Office had to appeal for American protection turned out to be a blessing in disguise. When the Spanish government made a rather vague and feeble attempt to put together a European concert to deal with the situation in Cuba, Grey was able to avoid the subject on the grounds that Britain had already asked the United States to protect British lives and property.

[2]"Admiralty Policy, Replies to Criticism," October, 1906, pp. 61-62. CAB 1/7/299.

strength in American waters. From 1908 to 1913, there were three cruisers instead of one for duty in the West Indies and along the east coast of North America, and another ship was added on the west coast.[1] Although the admirals were undoubtedly affected by the uproar over Jamaica the previous year, the specific reason that more ships were necessary in 1908 was the situation in Haiti, where revolutionary disturbances that year brought about frequent naval visits to Port au Prince.

British activity in Haiti in 1908 did not result from any great economic interests. British commercial and financial stakes there were even smaller than in the neighboring republic of Santo Domingo.[2] The United States dominated the export trade to Haiti. The French took most of Haiti's chief export crop of coffee, and the Haitian external debt had been floated in France. The principal business firms were Euro-

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[1]See The Naval Annual for 1908-1913.

[2]In his study of British investments in Latin America, Rippy found that British investments in Haiti "were so insignificant that they may be ignored." Rippy, British Investments in Latin America, p. 105. There were few British holders of Haitian bonds. The value was uncertain, but according to a list given to Murray by one of the British holders resident in the country, the total was only £69,377 in 1910. Murray to Grey, November 11, 1910. F. O. 371/915.

As for Santo Domingo, trade statistics for Haiti were unreliable. In 1910 the Commercial Department of the Foreign Office worked out the following estimates of British exports to Haiti: 1906-07: £87,482; 1907-08: £97,258; 1908-09: £117,238. See memorandum in 27930, F. O. 371/915.

pean, most of them German, and the bulk of the shipping was in the hands of the Hamberg-American Line. But even here the Foreign Office could not ignore the dangers of revolution, for there were a considerable number of British subjects living in the republic, almost all of them West Indian negroes.[1] Thus the problems of empire extended even into this primitive country where British commercial and financial interests were minute, and, as American tutelage had not yet been imposed on the turbulent republic, the Foreign Office was faced with a familiar problem when a revolution broke out in January of 1908 against the government of President Nord Alexis.

When Consul General Murray warned that the lives of foreigners would be in danger if the revolution continued to spread and that the French and German ministers were calling for ships, the Foreign Office made the usual request to the Admiralty for a British man-of-war. HMS Indefatigable was ordered from Bermuda to Port au Prince, but, as the Admiralty said there would be a delay because the ship was awaiting a new crew, the Foreign Office was again forced to ask the United States to extend protection to British subjects pending the arrival of the British ship. The State Department agreed to do so, but to Hardinge it was yet another case "of inconvenience from the absence of a British ship. If an American

[1]See Murray's annual report on Haiti for 1908. F. O. 371/680; Munro, op. cit., p. 246.

ship had not been on the spot, the situation would be very unpleasant, but it is wrong that we should have to depend on foreign vessels." A letter was drafted to the Admiralty complaining of the "somewhat undesirable position" in which the government had been placed. A reply in defense of their position was drafted in the Admiralty, but it was never sent, and throughout the rest of the year the Admiralty's responses to the requests of the Foreign Office were quite prompt and cooperative.[1]

The January revolution against Nord Alexis was unsuccessful and by the time the Indefatigable arrived the uprising had been suppressed. But the end of the revolution did not bring an end to the fears of the diplomatic corps at Port au Prince. The problem now centered around the practice of asylum. Following an unwritten law or custom of Haitian

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[1]Murray to Grey, January 17, 1908; F. O. to Admiralty, January 18th; Admiralty to F. O., January 18th, and minutes; Grey to Bryce, January 20th; Grey to Murray, January 19th; F. O. to Admiralty, January 25th. F. O. 371/466. The cancelled letter from the Admiralty to the F. O. is in ADM 116/1086. The Admiralty claimed that the F. O. had not made the urgency of the matter clear. "My Lords are not certain whether the letter under reply is intended to convey a complaint of the inadequacy of the naval force generally available to protect British interests in the Caribbean. If so, they are not at all prepared to admit the accuracy of this view. The matter has been very fully discussed and brought on more than one occasion to the notice of His Majesty's Government collectively. It does not appear that they are inclined to dissent from the Admiralty view, and the present occasion appears to My Lords of scarcely sufficient importance to reopen the question."

politics, many of the unsuccessful insurgents took refuge in foreign legations. Although the United States came out against the traditional practice and expelled a number of Haitian refugees from one of its consulates, the French and the Germans refused to surrender the refugees under their protection without a formal understanding that their lives would be spared. There were no refugees in the British consulates, but the Foreign Office authorized Murray to support his colleagues in the diplomatic corps in their quarrel with the vengeful Haitian government.[1] On March 16th the British consul again called for a ship, claiming that a massacre of all Europeans was imminent. According to Murray, who was frightened enough to spend the night "hidden in the forest," Nord Alexis was instigating an anti-foreign movement in the Haitian army and was threatening to "go down in a sea of blood unequalled in history" if he did not get his way. The Foreign Office thought the danger was "probably exaggerated," but two British ships were sent to Port au Prince where they joined a gathering of American, French and German vessels.[2]

The problem of the refugees was settled temporarily

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[1]Vice-Consul Rowley to Grey, February 6, 1908; Bertie to Grey, February 8th; Grey to Murray, February 11th; F. O. to the Haitian Minister, February 13th. F. O. 371/466.

For Root's policy towards asylum, see Jessup, op. cit., I, 555-57.

[2]Murray's undated telegrams received at the F. O. on March 16, 17, and 18, and minutes. F. O. 371/466.

when they were embarked from Haiti on French and German ships, but Murray and the French and German ministers thought that it was absolutely necessary that "at least one foreign ship" remain as long as Nord Alexis was in power and that it would be best "to take turns." Hardinge thought a permanent arrangement for the protection of Europeans would be "a great bore . . . but it is difficult to see what else can be done." The Admiralty voiced no objections to the planned rotation of ships, and the Captain of HMS Cressy reported that the diplomatic representatives were making arrangements pending approval from their governments and that the German minister had suggested that the Bremen be assigned the first monthly duty as guardship.[1]

The Foreign Office had already told Bryce to pass on to the American government their instructions to Murray and the British ships that nothing was to be done to interfere in the internal politics of Haiti,[2] and Grey was of course

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[1]Murray's telegram received March 19, 1908, and minutes; F. O. to Admiralty, March 26th; Admiralty to F. O., March 26th, with March 25th report of Commanding Officer HMS Cressy. F. O. 371/466.

[2]The orders to Murray and the ships were sent at Mallet's suggestion "in view of American susceptibilities." They were brought on by an incident that occurred when the Indefatigable arrived at Port au Prince on the 16th. The Captain announced his arrival to Murray "by firing 3 guns and a rocket." According to Murray this greatly alarmed the Haitians as revolutions and wars there "are announced by three shots," and Nord Alexis declared the incident was the

unwilling to sanction any guardship arrangement before sounding out the views of the United States. On March 27th, he told Bryce that he had no objections to the proposals if the United States agreed, but it soon became obvious that Washington wanted nothing to do with any arrangement for cooperative police duty. Just before Grey's instructions arrived, Assistant Secretary of State Bacon had sent for Howard to talk about the situation in Haiti. According to Bacon, the American government thought the presence of a warship "quite unnecessary," as they had ships themselves available at Santo Domingo and Cuba. They believed there was no danger "to whites" and were adverse to the proposed arrangement.[1]

What to do? In answer to the Foreign Office's query as to whether he still thought warships were necessary, Murray was even more emphatic. The British ship captains and the British colony agreed with him that a ship, other than American, was needed for the safety of foreign subjects. Murray charged that the American minister, Henry Furniss, was "not trustworthy." Furniss was a negro himself and "in league with the Haytian Government." Thus "no confidence"

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equivalent to a declaration of war. Both Murray and the captain thought the alarm had a good effect. Admiralty to F. O. of March 18, 1908; Murray's telegram received the 18th, and minutes; F. O. to Admiralty of 19th, and to Murray and Bryce of the 18th. F. O. 371/466.

[1]Grey to Bryce, March 27, 1908; Bryce to Grey, March 27th. F. O. 371/467.

was felt there "in American protection of life and property," and "general local opinion is that Americans are trying to force bankruptcy on Hayti in order to take charge of financial control as in Santo Domingo." According to Murray, the French and German ministers concurred in his belief that Furniss had given the Haitians the impression that the United States would protect them against any action by Europeans.[1]

The Foreign Office had no way of knowing that Murray's charges against Furniss were unfounded, and Larcom found the British consul's telegram "unpleasant reading." Both Larcom and Louis Mallet, the Assistant Under Secretary of State in charge of the American Department, felt that under the circumstances Britain would not be justified in leaving the protection of British subjects to the United States.[2] Grey personally drafted orders to Bryce to ask the American government what their intentions were and "whether they are prepared to undertake the protection of foreign subjects, and whether, in the event of no British ship of war being present, British subjects may rely upon United States ship being on the spot and giving adequate protection, or whether the United

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[1]Grey to Murray, March 28, 1908; Murray to Grey, March 29th. See also Admiralty to F. O. of March 30th transmitting Commanding Officer HMS Cressy report of March 29th. F. O. 371/467.

[2]Larcom and Mallet minutes to Murray's of March 29, 1908. F. O. 371/467.

States would prefer that we and other foreign Governments should take our own measures, or should concert with United States' naval officer." Root obviously did not want to make too firm a commitment. He still thought there was no danger to foreigners in Haiti, but the United States did intend to keep its ships there for a while. The United States would undertake "for the present at least" to protect British subjects. Root promised to send a letter "stating fully his views," but he seemed doubtful about any cooperative naval measures.[1]

American opposition to the guardship arrangement was enough to scuttle that proposal as far as Grey was concerned, but, on the other hand, Root's answer had not been wholly satisfactory regarding the protection of British interests. The only solution was to reject the guardship plan but to keep a British ship at Port au Prince. As Grey instructed Murray on April 1st:

> His Majesty's Government prefer not to take part in scheme for international guardship. His Majesty's ship will remain for the present in Haytian waters. In view of United States susceptibilities, the greatest caution should be used, and no landing party should be permitted unless danger is urgent and American marines are unable to afford sufficient protection.
>
> We must avoid all appearance of international combination in opposition to the United States, whose interests are more considerable.
>
> You should, however, merely inform your colleagues that His Majesty's Government will not take part in

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[1]Grey to Bryce, March 31, 1908; Bryce to Grey, April 1st. F. O. 371/467.

that his Majesty's Government will not take part in
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threaten the vital [illegible] interests of the United States, [illegible] in-
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but, on the other hand, [illegible] [illegible] [illegible] [illegible] [illegible],
though [illegible] [illegible] [illegible] [illegible] [illegible] [illegible],
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
but he thought it [illegible] [illegible] [illegible] [illegible] [illegible] [illegible],
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
jects. Most [illegible] [illegible] [illegible] [illegible] [illegible] [illegible],
understood that [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
keep its ships [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
to foreigners in [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
too like a [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
States' naval [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
should take any [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
States would prefer that we and [illegible] [illegible] [illegible] [illegible]

[illegible] F. O. 371/[illegible]. [illegible] Iran to Grey, April

> international guard, without mentioning reasons, and are for the present retaining a ship in Haytian waters.[1]

The American attitude towards the events in Haiti became somewhat clearer when Bryce's despatches arrived elaborating on Howard's and his own talks with Bacon and Root. One of the reasons Bacon had asked to see Howard was to express his fear that Jamaica might be used as a revolutionary base against Haiti, and he "explained that the American Government was particularly anxious to prevent any further troubles in Hayti on account of their position as collector of custom dues in Santo Domingo, which because of its proximity was closely affected by disturbances in Hayti." Bacon was "very positive" there was no danger to foreigners there.

The Haytians, he said, however much they might

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[1]Grey to Murray, April 1, 1908. F. O. 371/467. The Foreign Office also modified its instructions regarding refugees when it became obvious that the United States was opposing the practice. When the matter came up in the revolution of 1904, Lansdowne told the British Consul that it was "impossible" to give instructions "which will relieve the Consular Officers from exercising their own judgment" on the matter of political refugees. "The practice of affording shelter cannot be abandoned altogether," but Lansdowne thought it should be strictly confined to cases of imminent peril. Lansdowne to Vansittart, May 16, 1904. F. O. 35/179. However, on April 6, 1908, Grey told Murray that there were no diplomatic privileges attached to a Consulate General. "There is no right of asylum in our Consulate, nor are we entitled to refuse surrender of revolutionary refugees, though in the case of a British subject every precaution should be taken to insure his safety. . . . This will somewhat modify your power to support your French and German colleagues in their protection of political refugees, to whom, except they be British subjects, you must refuse asylum." F. O. 371/467.

> massacre each other, had never killed foreign subjects in any of their constant turmoils, nor seriously damaged foreign property; they were too much afraid of intervention to do any thing of that kind.
>
> The establishment of foreign stationnaires in Haytian waters, which had been proposed by the Diplomatic Corps at Port au Prince, might perhaps lead on to a foreign control, and, though Mr. Bacon did not say so in so many words, it was obviously the fear of this contingency, and possibly of the hostile criticism which would be aroused in this country by such a measure, which made the United States Government adverse to it.

The American version of the problem, as told by Bacon and Root to Bryce, placed the blame on the German firm of Hermann and Company and the French bank, who supposedly fomented the revolution for financial reasons and then used their influence to get asylum in their legations for the unsuccessful insurgents. Bryce got the "impression" that the United States feared the presence of foreign ships would encourage more uprisings and intrigue and force the United States to intervene to protect Santo Domingo. Bacon expressed himself in "strong terms" against Germany, and "dwelt upon the difference between the attitude and methods" of the British and those of the French and Germans, saying that the United States did "not wish to be involved with the latter." Financial complications had brought about "the present state of things" in Santo Domingo, "and they disliked the idea of the like happening in Hayti." Root told Bryce that they would keep "some ships at least in the meantime on the spot," and, although they would not object to foreign ships remain-

ing there, the United States would not join in any guardship arrangement, and thought that "the presence of any war-ships, even British or American, would tend to encourage the revolutionary element."[1]

The Foreign Office undoubtedly enjoyed the American comparison of their "attitude and methods" with those of Germany, and even the pessimistic Murray found solace in the fact that the British ship remained at Port au Prince when the French and German vessels left "because, the Americans of the ships here boasted, 'Uncle Sam' told them to get." When the Indefatigable departed on May 19th, Murray was sure that British prestige had been increased. The longer stay of the British ship had made the Haitians think that the British as well as the Americans were to be considered, "and the change in the behavior of the officials and of the people towards me and other British subjects lately has been very marked."[2]

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[1]Bryce to Grey, March 28 and April 1, 1908. In his despatch of May 14th, Murray denied the American interpretation of the revolution. F. O. 371/467.

[2]Murray to Grey, April 30 and May 20, 1908. For an interesting account of the situation at Port au Prince, see the report of Captain Jackson of the Cressy dated April 14th in Admiralty to F. O. of June 2nd. British naval officers on the scene were always more anxious to act than the British Government. Both Jackson and the captain of the Indefatigable made plans to land men if necessary. Jackson was not impressed with the vigor of Commander Potts, the American senior naval officer, and found the American naval

The heightening of British prestige was not unwelcome at the Foreign Office either, but none of this meant that London had any objections to American intervention in Haiti. When Murray reported that many businessmen feared intervention by the United States because of their "record of discrimination," Hardinge was sure that any interference "whether American or other would be preferable to the horrible condition of affairs prevailing in the island." With "so little trade" with Haiti, Britain had "little to lose." Grey agreed:

> Hayti will never be any use to anyone in its present condition and it is not worth a quarrel with the U. S. We must therefore let them interfere, if they wish, & confine our action to protecting British lives & property & supporting claims of individual British subjects. . . .[1]

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officers very hesitant to discuss their plans. When Jackson told Potts that he would act to protect non-British foreign residents if danger threatened, Potts, as if coming to a "momentous decision," said he would do the same. "All the American officers seemed to think that they were proposing to do something out of the way." Even after the orders of April 1st Jackson kept his plans for landing for he did not think Potts would give the necessary assurances. If Murray signalled that men were necessary, "I not only intended to land parties from "Cressy" and "Indefatigable" at once, but also to use every means in my power to induce the United States ships to land men." F. O. 371/467.

[1]Minutes to Murray's of April 30, 1908. F. O. 371/467. In June of 1908 the Haitian Minister for Foreign Affairs asked Murray for assistance in raising a foreign loan. After a "very serious talk" about the future of Haiti and the hated prospect of coming American domination, Murray thought that he was being sounded out as to the possibility of a British protectorate. "It is a thousand pities," the British Consul wrote home, "to see what might easily be one of the richest islands in the world, and one which on the opening of the Panama Canal will have considerably increased

But the United States was not ready to intervene in 1908, and, when revolution broke out again in late November, the question of the protection of British interests arose again. Once again Murray thought that Nord Alexis intended a general massacre, and he called for a British warship to join the American and French ships that were in port at the time. The State Department agreed to extend American protection to British lives and property until a British cruiser could arrive from St. Lucia.[1] The successful revolution was over within a few days, and Nord Alexis took refuge aboard the French man-of-war, but not before a clash between Murray and Furniss led to the long awaited statement by Root regarding American protection.

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importance, practically going a-begging because all the Powers are afraid of America just as they were of Russia before Japan showed that the feet of that giant were but of clay." Larcom was sure that Haiti "really only wants our purse, not our protection," and Hardinge thought Murray "should mind his own business!" Intervention was entirely contrary to British policy, Mallet told Murray on July 3rd, and the consul "should be very careful not to ventilate the idea of British intervention in any form. . . ." See also Murray's of June 25, 1908. F. O. 371/468. There were no more approaches from the Haitian government, and Murray had to content himself with reporting on the spread of American influence. "It is curious," Murray wrote in his annual report of 1909, "that the Haytians, the mongrel descendants of the sweepings of Africa, should fall, as they inevitably will, into the clutches of the Americans, the mongrel descendants of the sweepings of Europe." Murray to Grey, December 17, 1909. F. O. 371/914.

[1]Murray to Grey, November 30, 1908; Grey to Bryce, November 30th; Bryce to Grey, November 30th. F. O. 371/468.

On December 6th, Bryce reported that the State Department had sent him "without comment" copies of recent telegrams between Washington and Haiti. According to Furniss, a meeting of foreign representatives on December 3rd had agreed that parties should be landed from all foreign ships, but that Murray had refused to agree to a British landing force because the United States had told Great Britain the previous spring that they were "not pleased with British interference in Hayti, and that British Government had informed him that for the future United States Government should be permitted to take charge of foreign interests." Root's answer to Furniss of December 4th emphatically pointed out that the understanding of last spring was "incidental" to the withdrawal of the British ship following the earlier revolution.

> British vessel now being present, that understanding is no longer applicable, nor is there any such understanding regarding citizens of any other country. No such communication was ever made by this Government to Great Britain as the British Representative told you was made. If it is necessary for any naval forces to land it will be for the protection of American life and property, and the relations of such landing force to other national forces which may be landed will be that of friendly cooperation and concurrent action so far as necessary, but not of joint action or under any joint commander.

The following day Root supplemented these instructions with the statement that American naval forces would give "temporary protection" to Europeans whose countries did not have

ships present "upon urgent occasion or request for protection of life and property," but it was clear that Root was opposed to any assumption that the United States was responsible for any blanket protection of European interests.[1]

Larcom thought that Root had accurately described the earlier American promise, and the Foreign Office naturally asked Murray to explain. According to Murray's account, the Americans on the scene had not extended the promised protection. Furniss told him that the USS Tacoma had made arrangements to land parties for each of the legations, but during the disorders of the night of December 2nd, the Americans did nothing "because, I understand, the American Minister and the American Captains, as usual, were afraid to take responsibility and therefore could not make up their minds to land any men." Murray had not attended the meeting of the diplomatic corps on December 2nd, and, when the British cruiser arrived early on the 3rd, he made arrangements with the Captain for a British landing party, but by then the disorders were over. Thus when Furniss asked him at the meeting on the 3rd if the British would land men, Murray replied that it was no longer necessary.

> He worried me to do so, and asked what foreign subjects without a warship should do if the disorders recommenced. I thought he would have us land first to

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[1]Bryce to Grey, December 6, 1908. F. O. 371/468.

> avoid responsibility, and replied "They should address themselves to you--you have three men-of-war and we only one." Besides which, in the spring we were all led to believe that United States Government to undertake protection of life and property of foreign subjects, to which German Minister assented.
>
> United States' Minister began saying that he had no instructions to annex Hayti, whereupon I went.

The following day, after receiving reports that two British subjects had been wounded and their stores pillaged during the night of December 2nd, Murray dashed off an ill-tempered note to Furniss. As the United States had promised protection until the British cruiser arrived, and as there "was every reason to fear pillaging that night," Murray wanted the American minister to inform him "of the measures taken by the Commanders of the American Cruisers in harbour for the protection of British lives and property on the 2nd, inadequate as the measures unfortunately appear to have been."[1]

Grey instructed Bryce to explain to the State Department that Murray had fully intended to land men from the British ship if necessary, and that his reply to Furniss had been caused by what appeared to him "to be undue persistence on the part of the U. S. Minister in saying that British force should be landed when no necessity existed." The British government fully realized that it was never contemplated that the understanding of last spring "would be of general

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[1]Murray's telegram received December 4th; telegrams of December 9th and 11th; despatches of December 2nd and 4th. F. O. 371/468.

application in the future." They, of course, entirely disclaimed "any desire to make the U. S. Govt. take control or assume responsibility for Haiti, but will always be grateful if United States, who generally have some force present, will give protection to British subjects in emergencies, when no British ship is on the spot."[1]

As for Murray, he drew a private reprimand over the note of December 4th to Furniss, which the Foreign Office found "very dictatorial," "wanting in tact," "improper in tone," and "offensive." In a private note, Mallet warned him that it was "very important to get on friendly" with the American minister, and that his letter could be "misconstrued."

> We are not in a position to come down on the Americans for protecting our lives and property. We ask them to do so as a favour and they comply, but if they do not carry out their undertaking we cannot abuse them. The most that you could do would be to point out the neglect in a very friendly manner and assume that it was due to ignorance of the circumstances. The next time we ask them to protect our interests they may refuse altogether. Our only remedy is to abstain from asking in future and this may prove awkward.[2]

Nord Alexis's successor was able to maintain himself in office until 1911, and for a few years Haiti had a period of relative calm. But the events of 1908 were but one

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[1]Grey to Bryce, December 15, 1908. F. O. 371/468.

[2]Mallet to Murray, private, December 26, 1908. Murray's despatch containing the note of December 4th did not arrive at the Foreign Office until after the reply to the United States of December 15th.

example of the limited nature of the extension of American power in the Caribbean during the Roosevelt administration. This was not due to any change in Roosevelt's attitude towards the desirability of intervention in the area. As the President explained the situation in a letter to William Bayard Hale in December of 1908:

> The trouble as regards Haiti is not that the Government fails to understand the situation, but that the people, especially the educated people, refuse to understand it. The Times and Evening Post, for instance, represent a large constituency which was lukewarm or hostile to what I did about Santo Domingo. . . . Now, in Haiti, what we need is something that will show our people that this Government, in the name of humanity, morality, and civilization, ought to exercise some supervision over the island; but this should be done as a part of our general scheme of dealing with the countries around the Caribbean. In Cuba, Santo Domingo and Panama we have interfered in various different ways, and in each case for the immeasurable betterment of the people. I would have interfered in some similar fashion in Venezuela, in at least one Central American State, and in Haiti already, simply in the interest of civilization, if I could have waked up our people so that they would back a reasonable and intelligent foreign policy which would put a stop to crying disorders at our very doors.[1]

Then too, the presence of Elihu Root at the State Department undoubtedly played a part in tempering the more aggressive American approach to Latin America.[2] Root was as

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[1]Roosevelt to Hale, December 3, 1908. Morison, The Letters of Theodore Roosevelt, VI, 1407-08. For Root's views on intervention in Haiti, see his letter to Albert Shaw of December 11, 1908, quoted in Jessup, op. cit., I,555.

[2]For example, there is no doubt that Roosevelt yearned to chastise President Castro of Venezuela before the

firmly convinced as Roosevelt that the United States had the right and duty to intervene when necessary, but his early "good neighbor" policy towards Latin America brought about a temporary lull in the application of the principles of the "corollary" into new areas. It was Root, not the President, that set the tone of America's Latin American policy in the later years of Roosevelt's administration, and, while the theory remained the same, it was a softer, more cautious and sympathetic policy in practice.

American policy towards Latin America during the Roosevelt years had mixed effects on Great Britain. Roosevelt's action had left little doubt that the United States was vitally interested in dominating the Caribbean, but at the same time American hegemony had not been extended to the degree of accepting any clear-cut responsibility for policing the area. A few of the troublesome Latin American states had

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Dictator's fall from power in late 1908. The United States did break diplomatic relations, but Roosevelt had been willing to go much further. When the American minister reported that Castro was unwilling to arbitrate the issues in dispute, Roosevelt wrote to Root on March 29th: "I think it would be well to have several ships at once sent there and arrangements made to send a transport with Marines to land. Also I think the Joint Board should be at once requested to have plans formulated for action in case we have to take it. We can at least seize the customs houses." Morison, The Letters of Theodore Roosevelt, VI, 984. See also Roosevelt to Root of February 29th, p. 957, and to Jusserand of August 3rd, p. 1148. For Root's policy see Jessup, op. cit., I, 493-99.

been taken "in hand," but the Roosevelt "corollary" had not been carried to its logical conclusion. There were a number of reasons for the decline of British diplomatic activity in Latin America during the Roosevelt years, but it was not the result of any assumption by the United States of the protection of British interests.

Certainly the British statesmen were more than ever aware of the importance of the Monroe Doctrine. For example, when Grey became Foreign Secretary, he asked Durand what subjects of foreign policy were most interesting to the American mind. The British ambassador had no difficulty in answering: "the 'open door' for trade, and the maintenance of the Monroe Doctrine."[1] But what exactly did those terms mean? Cuban reciprocity had cast some doubts in Great Britain as to American devotion to the open door in Latin America, and just what that magic phrase "Monroe Doctrine" meant to Americans was still a matter of some conjecture.

What did the British policy makers really think of the Monroe Doctrine, as distinguished from public statements of devotion? Perhaps the closest to an "official" statement of the Foreign Office's views during these years is found in a secret Foreign Office memorandum on Anglo-American relations printed in 1908. The memorandum ends on a note of

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[1]Grey to Durand, January 2, 1906; Durand to Grey, January 26th. Grey Papers, vol. 42.

optimism for the future of Anglo-American relations, but the lengthy discussion of the Monroe Doctrine clearly reflects the uneasiness felt within the Foreign Office over its ramifications.

> The ambition of the United States to dominate the western hemisphere has grown out of a sort of superstition which has become embodied in the political creed of the country; this superstition is known as the Monroe Doctrine, and though the attribution to it of a national--and the attempt to claim for it an international--sanction has no juridical foundation, its political importance is notorious.

The author of the memorandum traced the stages of the development of the doctrine to Secretary of State Olney's "extreme view of Monroeism" of 1895. Although Britain submitted to arbitration of the Venezuelan boundary, "the position of Great Britain with regard to the Monroe Doctrine was not changed thereby, though some Americans have sought so to argue." The doctrine "has always been regarded by England as a statement of American policy, but not accepted as a principle of international law."

The American desire for expansion and the "universality" of the private and commercial interests of the United States must cause the doctrine's "fundamental principle" to "logically fall to the ground," but further controversies over it were not improbable. "The Monroe Doctrine is too convenient a substitute for argument to be abandoned by politicians of little experience in foreign affairs, and by a

public opinion still at the primitive stage of devotion to traditional dogma."

Since 1895 Britain had had greater difficulties in dealing with individual Latin American states than in the previous sixty years of the doctrine's existence. The effect of the first Venezuelan crisis on "the less scrupulous" of those states "has been to lead them to believe that immunity for wrongdoing will be secured to them by the United States, no matter to what lengths their wrongdoing may go. This belief has been confirmed by the second Venezuelan crisis of 1902-03." Fortunately most of the Latin American states were friendly to Britain, "but as a consequence of their defective administration incidents which at any moment necessitate the employment of force in order to obtain redress are constantly liable to occur."

> With the exception of Uruguay . . . there has recently been no trouble with any one of these States. But our South American policy is jealously watched by the people of the United States, and the often insensate cry of the Monroe Doctrine may at any time rouse an irresponsible press to violence should British action become necessary to protect British rights in that continent.

Although Roosevelt "has steadily supported and enlarged" the doctrine, the author admitted that the President had publicly recognized that it did not guarantee Latin American states against punishment that did not involve the loss of territory. "Proceeding a step further in 1904," Roosevelt

declared that the Doctrine involved "duties as well as rights" for the United States and he had put this into effect in the case of Santo Domingo.

> The Senate, however, has not accepted the theory that the Monroe Doctrine imposes obligations of this nature, and might strenuously resist any policy which led to the assumption of a kind of protectorate over the Southern Republics.
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> In this they have strong support in the Southern Republics themselves, who have been--while chuckling over the disposition of the United States to prevent Europe from coercing them--becoming at the same time more and more jealous of any interference on the part of the United States.[1]

The caution and uncertainty expressed in the memorandum was of course merely a reflection of the fears felt in the Foreign Office for years. Sir Edward Grey and his subordinates were faced with the same dilemma that had bothered Lansdowne and Villiers. To what degree was it safe to act in defense of British interests in Latin America without offending the United States?

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[1] "Memorandum respecting Relations between Great Britain and the United States," 1908, F. O. 414/210. The memorandum is unsigned and the original draft probably came from one of the clerks in the American Department. But as Under Secretary of State Charles Hardinge "used the pruning knife in what the author considered a most reckless manner," and sent it to Bryce for revision, the memorandum can be considered to be an accurate statement of the Foreign Office's views of Anglo-American relations. See Hardinge to Bryce of August 3, and November 7, 1907. The James Bryce Papers (The Bodleian Library, Oxford), U. S. A., Vol. 27. Cited hereafter as Bryce Papers. Bryce to Hardinge, November 28, 1907. Grey Papers, vol. 42.

When Roosevelt left the White House, the British government was more than satisfied with the results of their rapproachment with the United States, but one does not detect much optimism over the future of British commercial and financial interests under the new Monroeism. No immediate crises with the United States were foreseen in Latin America, and, with the exception of Cuba, the extension of American influence had not as yet touched any significant British interests. It was trying at times not to have either a free hand in the Caribbean or the advantages that would derive from an American protectorate there, but since 1903 the "impetuous" Roosevelt had been less of a problem to the Foreign Office than had the British Admiralty. On balance, the situation seemed favorable, but, in actual fact, the British were on the verge of a much more trying period in Anglo-American relations brought about by the policies and tactics of those apostles of "dollar diplomacy," William Howard Taft and Philander C. Knox.

CHAPTER VI

THE ONSET OF DOLLAR DIPLOMACY, HONDURAS AND NICARAGUA, 1909-1910

The attempt of the Taft administration to ensure stability in Central America by means of American loans and control of the customs was almost certain to create diplomatic headaches for the British Foreign Office. The largest British interest in the area was the share of the external debts of the small Central American countries held in Britain. It was not a question of whether British interests would be touched by the techniques of "dollar diplomacy"; this was inevitable. The problem facing the Foreign Office was the way in which the American bankers and the State Department would handle these British interests. From the British point of view, the first two years of Knox's Latin American policy were not encouraging. The Foreign Office pursued as cooperative a policy with the United States as possible, but the vexing debt problems and recurring fears for the "open door" were already at work building up an accumulation of distrust and irritation that were to have an unfortunate effect on Anglo-American relations.

During a discussion with Philander Knox about the unstable situation in Central America in May of 1909, James Bryce found the new American Secretary of State to be "a man of few words, extremely cautious and guarded, and very unlike Mr. Root, who was fond of launching out on all occasions into what amounted to a philosophical or historical disquisition of the phenomena presented by these Spanish American Republics and the policy to be followed in dealing with them." But the conversation did lead the British Ambassador to the conclusion that the new administration would be extremely cautious in their relations with the suspicious small states of Central America. As Bryce advised the Foreign Office:

> This attitude of prudence and non-intervention is likely to be maintained by the present United States Administration. Mr. Roosevelt would, had he followed his own impulses, have been less guarded. Mr. Root and the Senate, and his knowledge of the general public opinion of the country held him back. Mr. Taft and Mr. Knox have no desire to go forward.[1]

It was a poor prophecy by the usually perspicacious observer of the American scene. By the time his despatch had reached London, the Foreign Office was already mulling over the meaning of the new administration's move to block a British debt settlement with Honduras and their attempt to stop the flotation of a Nicaraguan loan in London. Whatever their original desires, it soon became clear that Taft and

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[1]Bryce to Grey, May 20, 1909. F. O. 371/609.

Knox did intend "to go forward," and that they not only accepted the principles of the Roosevelt "corollary" but were to elaborate upon them and attempt to extend them to some of the small independent nations in the crucial area of the future canal.

The Taft administration's first attempt at "dollar diplomacy" in Latin America was actually precipitated by a British plan to end the long-standing debt default of Honduras. Of the three Latin American states--Honduras, Costa Rica, and Guatemala--still in default on their external debts at the beginning of 1909, Honduras had the unenviable distinction of having the oldest of the unserviced debts. After forty years of default on its portion of the debt of the old Central American Federation, Honduras floated a conversion loan in 1867, followed by three sizable railway loans issued in London and Paris from 1867 to 1870. By 1872 all four of the loans were in default, and, although less than sixty miles of railway was ever constructed, Honduras, at the end of 1908, was still saddled with an external debt of £5,398,570 principal and the staggering sum of £16,681,127 of unpaid interest. As most of the Honduran bonds were held in Britain, the Council of Foreign Bondholders had been trying for years to find an arrangement that would salvage some return

for the holders of these almost worthless securities.[1]

One of the securities for the Honduran loans had been a mortgage or lien on the railway itself and its revenues. The Council's complaints to the Foreign Office arose from the alienation of this security by the Honduran government. In the 1890's the railway fell into the hands of American interests, and the Council failed in its efforts to make some refunding agreement with the "Honduras Syndicate" that controlled the railway until its concession was cancelled by the Honduran government in 1903. Although the government now had possession of the railway, nothing was done to satisfy the British bondholders, and, in 1908, despite protests from the Foreign Office, Honduras leased the line to Washington S. Valentine, an American resident in Honduras.[2]

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[1] In 1904 the Council of Foreign Bondholders estimated that from £300,000 to £500,000 of the Honduran bonds were held in France with most of the rest in British hands.

[2] C. of F. B., Annual Report, 1908, pp. 240-44; Munro, op. cit., pp. 217-18; Rippy, Caribbean Danger Zone, pp. 207-209.

Valentine was the President of the "New York and Honduras Rosario Mining Company" and had been associated with the "Honduras Syndicate." For the articles in his contract of 1908 which affected the British bondholders, see C. of F. B., Annual Report, 1908, pp. 245-47.

The Foreign Office's protests to Honduras against the new lease stated that Britain could not agree to the leasing of the railway unless some equally valuable security was given to the bondholders. The pertinent documents are in F. O. 371/405. For the Foreign Office's earlier attempts to aid the bondholders, see F. O. 39/77 and 39/78.

Although the railroad was again in American hands, the struggle for its control continued behind the scenes, for Valentine's contract contained a stipulation that the lease was revocable if a settlement of the external debt was reached on the basis of a transfer of the railroad.[1] While in London on leave in October of 1908, Lionel Carden, now the British minister to Central America, talked over the matter at the Foreign Office with Larcom who was "rather inclined" to do something further to protect the bondholders' interests. Carden thought that more protests from the Council to Honduras would only hurt their chances for a settlement, and, in direct talks with the Council, he persuaded them that their best hope was to submit to the Hondurans a new proposal for resuming their debt payments. By December Carden and the Council had worked out the bases for the new plan.[2]

Early in 1909, Carden, now back in Guatemala, received permission from the Foreign Office to go to Tegucigalpa for unofficial discussions with the Honduran

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[1]Carden to Grey, telegrams of July 24 and August 9, 1908, and despatch of July 30th; Haggard to Grey, August 8th. F. O. 371/405.

[2]See undated note from Larcom to Carden, and Larcom's minute dated October 21st to the Council's letter to the F. O. of October 15, 1908. F. O. 371/405. See also Carden to Grey, March 21, 1909, which contains the text of the bases of agreement as worked out by Carden and the Council dated December 3, 1908. F. O. 371/608.

government.[1] The talks were seemingly successful. On March 11th, the British minister got a written acceptance of the new scheme from President Dávila and an invitation to the Council of Foreign Bondholders to conclude a definitive contract.[2]

Carden's plan was based on what he called the "national aspiration" of Honduras for railway construction. The Honduran government was to recognize a total debt of £452,000 at 8.86% per year for interest and sinking fund, to be paid at the rate of £40,000 per year for a period of 40 years. As security, Honduras was to hand over to the bondholders the existing railway and the wharf at Puerto Cortes for the duration of the debt.[3] For their part, the Council

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[1]Carden was stationed at Guatemala City. As Minister to Central America, he represented Britain in Guatemala, Honduras, Nicaragua and Salvador. Early in 1908 Costa Rica had been transferred to the consulate at Panama. The only other salaried British consular officer in Central America at the time was a vice-consul in Guatemala.

[2]Carden to Grey, February 20, 1909; Grey to Carden, February 20th; F. O. to C. of F. B., February 22nd; C. of F. B. to F. O., February 24th; Carden to Grey, March 13th; Dávila to Carden, March 11th, in Carden to Grey, March 21st. F. O. 371/608.

[3]Puerto Cortes was the terminus of the short railway. Valentine had held the wharf concession since 1896, but the lease had expired, and Carden was "agreeably surprised" when Honduras added it to the railway as security. He also found that Valentine's railway contract of 1908 had not been submitted to the Honduran legislature for approval. See Carden to Grey, March 21, 1909. F. O. 371/608.

of Foreign Bondholders was to make the necessary arrangements for the issue and sale of £100,000 of new 6% bonds, the proceeds to be used to repair and re-equip the decrepit railway.[1] The total debt would then be serviced by a first charge on the railway receipts and 15% of the Honduran customs duties.

The Foreign Office had taken no direct part in the negotiations--Carden had told Larcom of his plan in the "vaguest" way and they did not know of the terms of the proposal until after Dávila's acceptance[2]--but Carden's superiors were undoubtedly gratified at the prospect of the end of one of the troublesome Central American debt problems. However, the problems of the Foreign Office were in reality only beginning. On March 13th the unwelcome news arrived from Carden that the American Minister, Philip M. Brown, had made an official protest to Honduras against any financial arrangement "which does not embrace interests of all other creditors." Such an arrangement, according to Brown, would be considered by the United States "as an act inconsistent with friendly relations existing between the two countries."

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[1]The negotiations almost broke down over the question of an extension of the railway. The Hondurans wanted to make this obligatory, but Carden pursuaded them that an improved railway would yield a big surplus that could eventually be used for construction. Carden to Grey, March 21, 1909. F. O. 371/608.

[2]See Larcom's minute to C. of F. B. to F. O., October 30, 1908, and his minute to Carden's telegram of March 13, 1909. F. O. 371/405 and 371/608.

Carden of course was furious and quite predictably in favor of a strong stand:

> Strongly recommend that the attention of U. S. Govt be at once drawn to such an unjustifiable interference with the right of a British Corporation to negotiate freely with the Honduras Govt. about matters affecting their interests, or of H. M. Minister to assist such negotiations by all legitimate means. Failure to take some such action may jeopardize arrangement when I leave here by making Honduras Govt. think they will embroil themselves with U. S. Govt. and receive no support from us.[1]

The Foreign Office had no desire to become embroiled with the United States on behalf of the Honduran bondholders, but they could hardly ignore Brown's action after they had sanctioned Carden's negotiations. Instructions immediately went out to Bryce at Washington to find out on what grounds the protest was based and to try to get the State Department to order Brown to end his opposition. When Alfred M. Innes, the Councillor of the British Embassy, talked to Knox, the Secretary of State was evasive, claiming that he did not have enough information as yet to make a definite statement. Knox first had to "make himself acquainted with the financial situation of Honduras, and find out whether it is solvent or insolvent," for the United States was "deeply interested in the political and financial stability of Central America, and their policy is to help them to maintain those conditions."

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[1]Carden to Grey, telegram 4, March 13, 1909. Brown's note was sent on March 10th. See Carden's despatch of March 27th. F. O. 371/608.

In favor of [illegible]:

[illegible]

[illegible]

27th. [illegible]. Hammond's note was sent to [illegible] of March 19, 1907. Hammond's

Perhaps a conference of interested nations would be advisable. In any event, there was no possibility that Honduras would be allowed to play off the United States against Great Britain.

Knox's answer was not particularly enlightening, but it was obvious that the Carden plan had run afoul of the policy of the United States towards what one of the clerks in the Foreign Office called "their own particular Bosnia" of Central America. There was no question of any strong stand against the American interference, and Bryce was merely told to continue trying to get the views of the United States and to avoid any reference to a conference, "which, if held, might tend to identify His Majesty's Government with the interests of the bondholders more closely than would be desirable or convenient."[1]

The Foreign Office need not have worried about an international conference, for the United States had no intention of allowing any interested nation to share in determining the future of Honduras. The planners in the State Department were already thinking of applying some form of financial control over Honduras as had been done in Santo Domingo. The Foreign Office was unaware of it at the time, but, in January of 1909, Valentine had already suggested a new loan to the Central American republic that would have

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[1]Grey to Bryce, March 13, 1909; Innes to Grey, March 25th, and minutes; Grey to Bryce, April 8th. F. O. 371/608.

been secured by a Dominican style customs collectorship. Although the Hondurans had rejected the idea, it had been viewed with some interest at Washington.[1] Brown had acted on his own initiative in opposing the British plan, but the State Department was more than willing to support him in blocking a settlement that would have frustrated any hopes of American control of Honduran finances. In any event, the

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[1]When he heard of Valentine's plan in January of 1909, Root told the American Minister in Honduras that the State Department could not suggest such an arrangement, but that he could give the Hondurans a confidential opinion that any overture from them "would be considered by the government of the United States with the strongest possible desire to be of service to Honduras and to contribute towards bringing about such a satisfactory result as has recently been obtained in Santo Domingo." See Munro, op. cit., p. 218.

Carden had stressed the need for speed on the grounds that "other proposals" were before the Honduran government when he asked for permission to go to Honduras in February, but the Foreign Office did not know the nature of Valentine's plan until Carden's despatch of March 27th arrived. If Carden is to be believed, Valentine was extraordinarily loose-tongued about his plans. According to the British Minister, the American told him that he hoped eventually to force Honduras to accept his project: "Taking advantage of their impecuniosity it was his intention, he said, to offer them a small advance of money at short date and on terms of repayment which it was improbable that they would be able to comply with punctually. He would then renew the loan on still more onerous terms with the hope of being able to eventually make its non-payment the ground for a diplomatic claim in settlement of which and of the Government's other debts a control of the Customs would be demanded. In the furtherance of this project he assured me that Mr. Brown had promised his official support." Carden to Grey, March 27, 1909. F. O. 371/608. See also the enclosure, Panting to Carden, March 18th. There was obviously more intrigue going on at Tegucigalpa than either the Foreign Office or the State Department realized.

imminent success of the British scheme forced the new American administration to cast about for some alternative, and the Foreign Office, in accord with its policy of deference towards the United States in the area, could only wait until the American plans for Honduras were formulated.

Meanwhile steps were being taken by both the Honduran government and the Council of Foreign Bondholders to bring the Carden plan to fruition. An arrangement between Honduras and Valentine to turn over the railway and the wharf to the government made these properties available for security, and the Honduran Minister for Foreign Affairs asked Carden to inform the Council of the fact "so that they may be convinced of the good faith of the Government and of their firm intention to carry out what they have promised to do."[1] The Council, for their part, were trying to interest Wheetman D. Pearson's influential engineering firm, S. Pearson and Sons, to undertake the construction of the railway to be turned over to the bondholders.[2]

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[1]Carden to Grey, April 3, 1909. F. O. 371/608. In return for $60,000 and payment for any improvements that had been made, Valentine was to turn over the wharf and railway on April 30th. However, the Honduran government was unable to make the payment, and, when they attempted to seize the properties in June, an American gunboat blocked the confiscation. Valentine remained in possession of both the wharf and the railway until 1912, but by then he had lost the strong support of the American government. See Munro, op. cit., pp. 219, 233.

[2]C. of F. B. to F. O., May 18, 1909; See also

The one most impatient at the slow pace of events was Carden. Seeing the chances for the success of his plan dwindling, he requested permission from the Foreign Office to make "some expression of satisfaction" on the part of the British Government to Honduras over the proposed settlement that would facilitate the Council's negotiations.[1] But the Foreign Office remained passive for Washington still refused to take a definite positio . When Innes talked to Huntington Wilson late in April, the Assistant Secretary of State had little to add to Knox's original statement except more or less to justify Brown's protest on the grounds that "for some time before Mr. Carden's scheme was on the tapis, the United States Government had been endeavouring to help the Honduras Government with its advice to set its finances in order."[2] On May 17th Bryce reported that Innes had again

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Sperling's minute to Bryce's of May 30th. F. O. 371/608.

[1]Carden to Grey, May 1, 1909. F. O. 371/608. Carden's fears were not unfounded, for it seems that Dávila had already given way under the American pressure. On March 21st the Honduran Minister for Foreign Affairs had sent Carden his assurances of his government's "fixed intention" of carrying out the British plan. Bustillo to Carden, enclosed in Carden's of April 3rd. F. O. 371/608. But by April 23rd, the harassed Dávila told Brown that he now realized that the British plan was "highly disadvantageous" to Honduras and wanted an American syndicate to refund the entire debt. See undated State Department memorandum of 1909 in U. S., Foreign Relations, 1912, p. 550.

[2]Bryce to Grey, April 22, 1909. F. O. 371/608.

been unable to get a definite statement regarding the American opposition. According to Wilson, the British agreement seemed to "infringe on what he vaguely called 'the equities,' and that the United States Government was afraid of the revenue of the State being so tied up that other legitimate demands could not be satisfied." But more information was still needed to form an opinion.[1]

On May 29th Bryce reported that the State Department had finally stopped its stalling tactics by stating flatly that the United States was opposed to any partial arrangements of the Honduran debt. A group of New York bankers was at work on a general refunding scheme and the American government had hopes that Honduras would appoint an American "financial adviser." The Foreign Office was left in no doubt as to the "special importance" the United States attached to Honduras. As Bryce wrote on June 1st:

> It is, they say, due to the fact that Honduras lies between the two troublesome states of Guatamala and Nicaragua, so that it is a natural battleground between these republics, and that the manner in which it conducts its government may be expected to influence for good or evil the governments of its two neighbors. It is, therefore, so they argue, only natural that the United States Government should take more than ordinary interest in the political situation in Honduras, and consequently in the financial situation on which the political situation so largely depends.[2]

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[1]Bryce to Grey, May 17, 1909. F. O. 371/608.

[2]Bryce to Grey, telegram of May 29, 1909, and despatch

Mallet was understandably reluctant to tell the Council of Foreign Bondholders of what he called "the American veto" of the Carden plan, but the issue was forced on June 4th when the Council wrote the Foreign Office that they approved the arrangement and were prepared to recommend it to the bondholders. When James Cooper, the Council's Secretary, called at the Foreign Office three days later he was told of the American plans, and, on the 17th, Carden's request for an expression of satisfaction to Honduras over his plan was refused as "undesirable."[1]

The reaction of the Council of Foreign Bondholders to the news from Washington was as expected. In a long letter to the Foreign Office on June 16th recounting their frustrations in the past regarding Honduras, the Council complained that "the attitude of the United States Government has for some years past shown a marked want of regard to the rights of English holders of Spanish-American Bonds." They did not know the details of the New York financial plans but

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of June 1st and minutes. F. O. 371/608.

The Foreign Office's first definite knowledge of the American desire for a Honduran "buffer state" came from Ambassador Tower's conversations with William Buchanan in Mexico. See Tower to Grey, April 2, 1909. F. O. 371/608. For the breakdown of American-Mexican cooperation regarding Honduras and Central America see Munro, op. cit., pp. 164-67.

[1]C. of F. B. to F. O., June 4, 1909, and minutes; Grey to Carden, June 17th. F. O. 371/608.

it seemed doubtful that Honduras would submit to American control. In any event, any American plan for Honduras would be distrusted until justice had been done for the British holders of Dominican bonds. They found themselves in a difficult position, and felt entitled to "an indication" from the British government as to their attitude and whether they should withdraw from the Carden scheme and cooperate with the plans of the United States.

The Foreign Office was by no means anxious to give such definite advice to the bondholders, but it was clear that some action would have to be taken. Larcom did not believe that they should "allow the Carden scheme to be snuffed out without a further effort" to get the United States to withdraw their opposition. Mallet agreed, pointing out that it was not "in the least likely that the U. S. Govt. will give way but if we acquiesce too readily in their veto, they will assume that we do not attach any great importance to the matter and the council will expect us to put up a fight." Grey, who now for the first time took an interest in the matter, approved his subordinates' suggestions, and on June 23rd Mallet sent Bryce the Council's complaint and ordered him to use his "utmost endeavours" to induce the State Department to stop opposing the British arrangement.[1]

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[1]C. of F. B. to F. O., June 16, 1909, and minutes; Mallet to Bryce, June 23rd. F. O. 371/608.

But before Bryce could use his "utmost endeavours" more definite American proposals reached the Foreign Office and the Council of Foreign Bondholders.[1] On June 24th, Mr. E. Grenfell, J. P. Morgan's representative in London, called at the Foreign Office and asked Mallet if the British Government would object to an Honduran debt settlement in which an American syndicate would take over the finances of Honduras "much in the same way as was done in S. Domingo." Mallet replied that the Foreign Office was only interested in fair treatment for the bondholders:

> I said that, so long as the interests of British Bondholders were safeguarded, & they received as good terms as the Honduranean [sic] Govt were now offering them, we should not object on political grounds, as we were not prepared to resist the growth of American interest in the Central American Republics. I said that we attached the greatest importance to the equitable treatment of the Bondholders, as in the case of S. Domingo, the indifference shown by the Americans to the interests of the British Bondholders had created great soreness of feeling.
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> Mr. Grenfell said that he was aware of this &

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[1]Bryce did send notes to the State Department on July 10th and 15th, but they were too late to have any bearing on the negotiations. For their texts, see Bryce to Grey, July 12th. Knox's reply is in Bryce's despatch of July 24th. F. O. 371/608.

For the State Department's relations with the bankers, see Munro, op. cit., 219-20. According to a State Department memorandum of 1909: "Owing to the Department's keen interest, for diplomatic reasons, in the Honduran financial adjustment, whenever anyone at all likely to be interested happened to call at the Department the Honduran situation was fully discussed on the chance someone might be willing to go into it." U. S., Foreign Relations, 1912, p. 551.

> thought that the terms wh. would be proposed would probably be better than those now under consideration and that into the bargain, he might be able to throw a sop to the Dominican Bondholders.[1]

Morgan's offer to the Council of Foreign Bondholders seemed promising. If an arrangement for financial control could be arranged between the governments of Honduras and the United States within one year, the American banking firm would purchase the British bonds outright for 15% of their face value. It would mean a further reduction of the principal of the debt, but payment would be immediate rather than spread over a forty year period. When Mallet talked to Cooper and the Vice-President of the Council, Sir C. W. Fremantle, on June 28th, he found Fremantle at least "inclining to go in with the Americans."[2]

The crux of the problem was the condition placed on the Morgan offer. Would the American government be able to persuade Honduras to accept their financial tutelage? Carden warned that Honduras would be as strongly opposed to it now as they had been to Valentine's previous proposal, and doubted that it would ever be "voluntarily accepted." If the British cooperated with the Americans and the United States did not insist on the necessary financial control, what

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[1]Mallet's memorandum to Grey, June 24, 1909. F. O. 371/608.

[2]Mallet's minute of June 28th. F. O. 371/608.

[2] Memorandum from Grey, June 24, 1824. F. O. 371/508.

[3] Memorandum from Bathurst, June 26th. F. O. 371/508.

chance would the Council of Foreign Bondholders have in future negotiations with Honduras? Carden wanted the Council to abandon his plan only at the request of Honduras and only with an equally definite offer from Morgan in hand.

On the other hand, as Mallet argued, were the Hondurans "likely to carry through the Carden Agreement in the teeth of the American opposition?" If the Council refused the Morgan offer, "the Americans may refuse to renew it later on, if Honduras does in the end accept American control." Mallet personally thought that the Council should bargain with the Americans for better terms "including an immediate douceur for the Domingo Bondholders and then chance the American control coming off," but he was opposed to giving the bondholders any advice that might compromise the Foreign Office.

> We must in any case avoid being put in the position of backing Honduras against America & we must avoid giving advice to the Bondholders officially & limit ourselves to letting them know the pros & cons.[1]

After wrestling with the "pros and cons," the Council, on July 10th, told the Foreign Office of their decision to cooperate with the American bankers. The Morgan offer seemed "the less doubtful" of "two uncertain proposals." As the British government "have intimated that they do not see their

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[1]Carden to Grey, June 30 and July 3, 1909, and Mallet's minutes; C. of F. B. to F. O., July 1st; F. O. to C. of F. B., July 6th. F. O. 371/608.

way to combat" the American opposition, the Carden arrangement seemed doomed. On the other hand, the New York bankers had assured the Council that there was "good reason" to believe that the American government would succeed in getting a treaty with Honduras, "and Messrs Morgan point out that their friends in New York would not spend time and money over the matter unless they were confident that it would result in something definite."

> Whilst therefore the Committee would have been prepared to recommend the Bondholders to accept the Carden proposal had not this new condition of affairs so unexpectedly arisen, they have come to the conclusion, after considering Sir E. Grey's views . . . that the American scheme offers the better chance of success and that we have accordingly notified Messrs J. P. Morgan & Co. that we are prepared to co-operate with them.[1]

Despite their reluctance to advise the Council, this was obviously the answer that the Foreign Office wanted. To Mallet, the decision was "very satisfactory," especially as it was "entirely their own."[2] On the 13th the Foreign Office

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[1]C. of F. B. to F. O., July 10, 1909. F. O. 371/608.

[2]The quarrel between the Foreign Office and the Council over the responsibility for the decision broke out almost immediately and continued for years. On July 21st the Council wrote that they hoped Carden realized that the "principal reason" for their decision was the "intimation" by the government that there was no prospect of the Carden scheme succeeding in the face of American opposition. Larcom and Mallet were afraid that the onus of the decision was being shifted to their shoulders, and Mallet replied that "no such statement" had been made. The Foreign Office's letter of July 6th "merely sets forth the balance of advantages and

ordered Carden to suspend his negotiations with Honduras and to adopt "a friendly attitude to the American proposals, although you should be more or less guided by circumstances as to the extent to which you actively support them." Above all, he was to avoid "anything in the nature of an appeal from Honduras to support them against the United States."[1]

Carden had lost another round in his crusade against the expansion of American influence in the Caribbean. If the decision was very satisfactory to the Foreign Office, it was a taste of wormwood to the British Minister. He felt betrayed by both the Council and his own government for their supine attitude towards the United States. For Carden, the matter transcended the issue of the Honduran debt. If the British government was willing to acquiesce in the surrender of an approved agreement just because the American government "think it may conflict, not with existing American interests

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disadvantages of the two courses open to the Council as impartially as was consistent with the obvious facts of the situation; and in stating that there was a strong probability of the United States Government finding means to prevent the Agreement arrived at by Mr. Carden from coming into force the statement was little more than a platitude." F. O. to C. of F. B., July 27th. In actual fact, the Council had complained in their letter of July 10th that they would have appreciated "some suggestion" from Grey as to the best course to follow, and Mallet's position was technically correct, but there was still some justice in the Council's later position that for all practical purposes they had had little choice.

[1]Grey to Carden, July 13, 1909. F. O. 371/608.

but with their own plans for the future," the same fate might be in store for any agreement negotiated by Britain in Central America.[1] Carden was particularly galled at his instructions of July 13th, and he had to be ordered again to carry them out.[2]

On July 17th the British minister penned a long letter of complaint to Mallet, asking that his views be brought to the notice of the Foreign Secretary. The Council, by their "deplorable act of folly," Carden lamented, had placed him in "a most false and difficult position," but, as he had acted throughout with the sanction of the Foreign Office, "the onus of my position rests, not on myself personally but on H. M. Government." He could not believe that Grey had intended to put him in such a position or that he "should be exposed to the reproach of having either exceeded my instructions or failed in some other way to merit the support of H. M. Government."

> It is no business of mine to express an opinion on any policy H. M. Government may see fit to adopt. But I should, I think, be wanting in my duty if I failed to point out the impossibility of disguising the fact that we have openly surrendered the Honduras settlement in deference to American opposition, or of preventing this view from being widely commented

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[1]Carden to Grey, July 3, 1909. F. O. 371/608.

[2]Carden to Grey, July 15, 1909; Grey to Carden, July 16th. F. O. 371/608.

on throughout Central America.[1]

There was worse to come for the bitter Carden. On July 22nd Whitelaw Reid, the American Ambassador at London, asked the Foreign Office to aid the State Department in expediting the Honduran arrangement by instructing Carden to tell the Hondurans that the British government was in favor of the success of the Morgan plan. Much to the disgust of Carden, who again tried to avoid carrying out his instructions, the cooperative Foreign Office complied.[2]

In a private letter of August 24th that was part reprimand and part soothing syrup, Mallet assured Carden that he had neither exceeded his instructions nor lost the confidence of the government. The Foreign Secretary, Mallet wrote, was sorry to hear of Carden's opinion on the bad effects of the Council's decision. But the bondholders' choice was "not unwelcome to us," as the "alternative policy might have involved us in difficulties of a more serious nature," and the possibility of Honduras looking to the British government for support against the United States "might have had the most farreaching and dangerous results." Had British

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[1]Carden to Mallet, July 17, 1909. F. O. 371/608.

[2]Reid to F. O., July 22, 1909; F. O. to C. of F. B., July 27th, and reply of July 27th; Grey to Carden, July 28th; F. O. to Reid, July 29th; Carden to Grey, July 31st; Grey to Carden, August 4th; Carden to Grey, August 11th. F. O. 371/608.

policy in Central America changed? Not at all. The British government "will continue to maintain British interests in those countries and co-operation with the United States Government which we sincerely desire can only exist on the understanding that British interests, in the widest sense, profit and do not suffer thereby."[1]

While there may have been a difference of opinion between Carden and his superiors as to whether British policy in defense of British interests had changed or not, no one could deny that the Foreign Office had been cooperative with the Americans in Honduras. But Honduras was not the only country in which the United States was showing an exceptional interest in 1909. At the same time that the situation in Honduras was coming to a head, the Foreign Office had another opportunity to follow the lead of the State Department in Central America, this time in Nicaragua.

Whereas the problem in Honduras was primarily one of liquidating a long-standing default on the best terms possible, the difficulties in Nicaragua arose from the influx of more British capital into Central America. In spite of the dismal record of defaults in the area, British investors were still active and both Salvador, in 1908, and Nicaragua,

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[1]Mallet to Carden, August 24, 1909. F. O. 371/608.

in 1909, were able to float loans in London.[1] Although the Salvadoran loan did not develop into "a case" as some in the Foreign Office feared, the loan to President José Santos Zelaya of Nicaragua provoked the displeasure of the new American administration.

The Nicaraguan external debt in 1908 consisted of £235,300 of outstanding bonds of an 1886 issue of 6% Railway Mortgage bonds that had been reduced to 4% interest in 1895 following an interest default. In addition to this sterling debt, Nicaragua had negotiated a new 6% $1,000,000 loan with a New Orleans financier in 1904. In comparison with her Central American neighbors, Nicaragua's credit was relatively good, and, in 1905, the government entered into negotiations with the "Ethelburga Syndicate" of London for a new loan to be used for debt conversion and railway extension. Although the English syndicate made an advance of £52,300 to the government in 1907, the issue was not carried through, but in

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[1]Salvador's loan of 1908 was for £1,000,000 at 6% interest, redeemable in 21 years. The underwriters, "International Loans, Limited" of London, took the bonds at 75 and they were issued to the public at 86. As the object of the loan was to reduce the heavy 12% interest Salvador was paying on her existing indebtedness, Carden was unhappy over the transaction. According to the British minister, "the principle of issuing public loans in England for such a purpose is much to be deprecated, if only for the unpopularity attaching to the role of creditor when unassociated with the construction of some useful public work." See C. of F. B., Annual Report, 1908, pp. 342-43; and Carden to Grey, March 11, 1908, and minutes. F. O. 371/406.

the fall of 1908 the Nicaraguan Congress authorized a new attempt to raise a European loan of £1,250,000.[1]

The proposed Nicaraguan loan first became a matter of concern to the Foreign Office on May 30, 1909, when Bryce cabled that Knox had told him that the United States would be grateful if the British government "could do anything in their power to discourage the raising of a loan in London by Zelaya, who is the general disturber of peace in Central America and guilty of shocking cruelties." Although the proposed loan was ostensibly for public improvement, it was really an attempt by the Nicaraguan dictator to get money for arms and munitions to maintain his tyranny over the Nicaraguan people and to attack his neighbors. The French government had "spontaneously stopped the flotation" in Paris; did the British government have the power to do the same?

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[1]See C. of F. B., Annual Report, 1908, pp. 288-92, 297-98. Carden hoped that the loan "will not find favour on the London market" when he reported that the Nicaraguan representative had left for Europe: "The finances of Nicaragua are in a very unsatisfactory condition, and the restless ambition of President Zelaya makes it probable that if he succeeded in obtaining any considerable sum of money it would be devoted rather to the furthering of his political aims than to the development of the resources of his country. The result would almost surely be that, sooner or later, default would be made in the payment of interest to the serious loss of those who had invested their money." The clerks in the American Department hoped that the loan would not be raised in England, but, in line with the British government's laissez-faire attitude towards foreign loans, nothing was done at the time to discourage it. Carden to Grey, May 28, 1908, and minutes by Sperling and Larcom. F. O. 371/407.

It was an unusual request and the Foreign Office library could find no precedents warranting any official interference, but Mallet thought that a "private hint" to the bondholders would not be out of order, and on June 2nd Hardinge passed on the American request to Lord Avebury, the President of the Council of Foreign Bondholders.

> It is not the practice of His Majesty's Government to interfere officially in such matters but in the present instance they agree that it is undesirable that the President of Nicaragua should be supplied with money.
>
> They would therefore be obliged if you, in your capacity as President of the Council of Foreign Bondholders, could take any action in the sense desired by the United States Government.[1]

The request was futile. Subscriptions to the new bonds had already been publicly invited in both London and Paris, and, as Avebury replied on June 7th, the Nicaraguan loan was a fait accompli. Nor did Avebury give any indication that the Council was prepared to cooperate with the American government. The Ethelburga syndicate had offered to exchange the bonds of 1886 on advantageous terms, and a public meeting of the British bondholders had unanimously approved the offer on June 2nd. Avebury also argued that the loan was a legitimate one. £500,000 of the new issue was earmarked for the conversion of both the British and

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[1]Bryce to Grey, May 30, 1909, and minutes; Hardinge to Avebury, private, June 2nd. See also Bryce's despatch of May 30th. F. O. 371/609.

American external debts. Another £570,000 was to go solely for railway construction, and the syndicate had assured the Council that these funds would be controlled in London. After paying off the advances, the Nicaraguan government would receive less than £100,000 in actual cash. As for the United States government, the Council, while anxious to follow the wishes of the Foreign Office, felt very strongly about the unfair and hostile American treatment and attitude towards the British bondholders.[1]

Although American opposition to the Ethelburga loan was unsuccessful, the Foreign Office did have another opportunity to act in concert with the State Department. The English syndicate had not been content with the extensive securities offered by Nicaragua--the entire customs duties, the existing and proposed railways, the government steamboats on Lake Nicaragua, and the concessions for the liquor and tobacco monopolies--and they had added a provision in the general bond that copies of the contract were to be deposited by Nicaragua with the British and American governments. It

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[1]Avebury to Hardinge, private, June 7, 1909. F. O. 371/609. For the details of the 1909 loan, see C. of F. B., Annual Report, 1909, pp. 257-61, and Martin to F. O., June 2nd. The French Government did prevent an official quotation on the bonds in Paris, but they did not stop the flotation. See Munro, op. cit., p. 169. £500,000 of bonds were offered in May of 1909 in London and the same in Paris. The Syndicate offered the holders of the 1886 bonds an exchange of new bonds at 86% of the value of the old ones.

was of course the usual attempt to give a Latin American loan some quasi-official status, and the Foreign Office, which had not known of the provision until the Nicaraguan legation sent them a copy on June 25th, was characteristically dubious and wary. Mallet and Grey wanted to return the copy of the bond to the Nicaraguan minister "thereby repudiating any responsibility on the part of H. M. G. in the matter," if it could be done "without prejudicing the interests of the British investors." Their first reaction was reinforced by a warning to Bryce from Knox on July 17th that the legality of the pledged monopolies was doubtful "and Zelaya's successor might be compelled to test their constitutionality." The Foreign Office was already aware of the problem, but it was yet another indication of the interest taken by the United States in the matter.[1]

After the Treasury agreed with their position, the Foreign Office informed the Council of Foreign Bondholders that the contract would be returned to Nicaragua, thereby precipitating another quarrel with the bondholders. Unhappy over a course that "would be tantamount to a declaration that His Majesty's Government will do nothing to assist the English Companies who are charged with the administration of

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[1]Nicaraguan Legation to F. O., June 25, 1909, and minutes; F. O. to Treasury, July 12th; Bryce to Grey, July 17th; F. O. 371/609.

the Liquor and Tobacco Monopolies," the Council hoped that Grey would go no further than informing Nicaragua that the notification provision had not been authorized by the government, and that in accepting a copy of the bond, they could not "be considered to have necessarily assumed any responsibility in the matter." Even this was too much for both the Foreign Office and the Treasury, and the news from Bryce that the United States had refused the contract confirmed, in Larcom's words, "our first inclination to do the same."[1]

When Bryce informed the State Department of the British refusal, Knox expressed "his gratification that the views of the two Governments coincide in this matter," but the Council was far from gratified. They would not press the matter, but they could not resist another shot at the Foreign Office. The Council could understand the refusal of the American government, "as they are apparently hostile to any borrowings by these Spanish American States except under American supervision," and the monopolies were to be made into English concerns and the railway was to be constructed largely with English capital, but the attitude of the British

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[1]Treasury to F. O., July 17, 1909; F. O. to C. of F. B., July 26th; C. of F. B. to F. O., July 27th; F. O. to Treasury, August 4th; Bryce to Grey, July 29th (received August 10th); Treasury to F. O., August 12th; F. O. to Bryce, to the C. of F. B., and to the Nicaraguan Legation, August 23rd. F. O. 371/609.

government was certainly a matter of regret.[1]

Although they had divested themselves of any responsibility regarding the Nicaraguan loan, and the bondholders were seemingly in line for a settlement in Honduras under the Morgan plan, the Foreign Office was still embarrassed by such "regrets." It was inevitable that the onset of "dollar diplomacy" would precipitate some debate within the Foreign Office and the diplomatic corps as to the meaning of the new vigor shown by the Americans in Central America. In spite of Mallet's brave words to Carden about cooperation with the United States being dependent on its benefits to British interests, there were already nagging doubts. Would the new American activity in Central America really benefit British interests? What, if anything, should the Foreign Office do? Was it possible to formulate a general policy to be followed to cope with the spreading American influence?

The debate was set off in July of 1909 when Lionel Carden sent the Foreign Office a long analysis of the situation. Carden was never one to underestimate the perfidious Yankees by taking the short view. He had no doubts that the American opposition to his Honduran debt scheme was only part of a concerted effort by the United States to dominate all commercial and financial enterprises in Central America. He

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[1]C. of F. B. to F. O., August 27, 1909; Bryce to Grey, September 18th. F. O. 371/609.

feared that steps were underway for a debt settlement in Guatemala that would be disadvantageous to the British bondholders, and the recent denunciation by Salvador of her commercial treaty with Britain seemed to him to be the first step in a new American drive for Latin American reciprocity treaties. According to Carden, the United States in the future would try to dictate all debt settlements, discourage the investment of European capital, divert European trade to the United States, and prevent the granting of public works concessions in Central America to all non-Americans.

What could be done? For Carden, there were only three possible courses open to Britain: opposition, servile acceptance, or some formal understanding with the Americans.

> 1. To resist the pretentions of the United States Government, either separately or in combination with others, which would inevitably bring about serious friction.
> 2. To accept the situation passively, refraining from entering upon negotiations with the different Republics without first ascertaining the views and wishes of the United States, and generally avoiding anything which might remotely conflict with their projects for the future. The adoption of such an attitude would hasten the extinction of our interests by the loss of influence with the Governments of those countries entailed.
> 3. To endeavour to arrive at an understanding with the United States Government which would have for its object the conservation of our existing interests.

Obviously it was the third suggestion that Carden wanted to explore. As the British government was admitting the right of the United States to special influence in

Central America, and as the commercial and financial interests of the British there might not be considered great enough to warrant a defense at the risk of constant bickerings and disagreements with the United States, might it not be worthwhile to come to some arrangement with the Americans that would avoid such friction and still safeguard at least the existing interests of Great Britain? Had not the great powers made agreements from time to time recognizing spheres of influence? The circumstances might not be "entirely analogous," but "the principle does not appear to be wholly inapplicable to the position of the United States in these Republics." It would be "premature" to discuss the exact form of such an understanding until the Foreign Office accepted the idea.

> But I may be permitted to point out that the aspirations of the United States in this direction are regarded with so much suspicion, and have to be so carefully concealed, that a friendly undertaking to take no steps which might encourage resistance to their influence would not be dearly bought by a promise not to discriminate against our trade by means of Reciprocity Conventions, nor to interfere with the free exercise of their rights by British subjects in the recovery of debts due them.[1]

Carden was certainly given to exaggeration, but at the same time he did have an embarrassing habit of bringing matters into the open. His suggestion was impractical but it did raise again the vagueness and the inadequacy of the

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[1]Carden to Grey, July 26, 1909. F. O. 371/610.

Anglo-American "entente" in Latin America. The Foreign Office was by no means opposed to the idea of an Anglo-American agreement over Central America, but they were sceptical that it could be achieved. As Larcom noted, the idea of an entente "is no doubt desirable and what we are in a sense strong for already," but he doubted that any "definite agreement with the U. S. either on the basis indicated by Mr. Carden . . . or otherwise is practicable or would be accepted by them." Mallet decided to send Carden's letter to Alfred Innes, who was in London at the time, to get some observations from a member of the Washington Embassy.[1]

In addition to the part that he had played in the Honduran debt question, Innes had already had a taste of "dollar diplomacy" regarding American loans to China, and the Councillor had formed some definite views on doing business with "the Yankees."[2] Both Bryce and he were already disturbed by the "intriguing" over the Honduran debt, and now Innes took the opportunity to air his views to his superiors at the Foreign Office. According to Innes the Central American policy of the United States was "perfectly straightforward and sensible." The "barbarous little republics" were "a blot on

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[1]Minutes by Larcom and Mallet to Carden's of July 26, 1909. F. O. 371/610.

[2]See Innes's letter to Bryce of July 6, 1909, in Bryce Papers, USA 29.

the fair fame of America, and a standing menace to the Monroe Doctrine," and the Americans were determined to "regenerate them."

> Mr. Root had strong altruistic views and both he and Mr. Roosevelt believed in patience and moral suasion. The present Government is far more what we would call typically British and what they call typically American, more thoroughly practical and businesslike. Hence patience, forbearance, sympathy and moral forces appeal but little to them, and the sounder method of gaining the necessary influence seems to them to be the use of their immense wealth. Consequently they have virtually taken Mr. Pierpont Morgan into the Government.

The "ideal policy" for Britain to follow, according to Innes, would be "to back up the United States all through," on condition that "they give us a fair deal." A "fair deal" would mean that the Americans "do not try to wrest us from Central America, that they offer us a fair equivalent for our bonds, and that, in return for past losses we obtain a fair share of future profits from financial operations." A conversion of old bonds into new ones at a lower rate of interest would be fair if English bankers were given the right to underwrite a proportion of the new loans "and of all future loans," but Innes was opposed to accepting cash "which involves our expulsion from the financial market."

Innes realized that his "ideal policy" would mean a "diplomatic tussle" with the United States, but he did not think that the British had to fear any lasting ill feelings, for the Americans "are essentially good tempered and toler-

ant,--to bear malice or resentment against those who stand up for their rights is not in their nature." But as the Americans were also "terribly tenacious and pugnacious, and will fight every point hard," it would be necessary to plan every move with care. It would be particularly important for the Foreign Office to drop its traditional policy of letting the bondholders make their own bargains. The only way for the Council to get satisfactory terms would be for it to act under the instructions of the government, for tradition "is a source of weakness in dealing with a country which has no traditions, and whose foreign policy is thoroughly elastic, using whatever weapon comes to hand."

Innes disagreed with all three of Carden's alternatives. There was no basis for a general understanding and the United States would refuse to listen to any such proposal, but he did not see why the British could not "steer clear of both the first two alternatives and arrive at some fairly satisfactory compromise of each case as it arrives."[1] And in a private note to Mallet, Innes added an emphatic and frank warning about the necessity of careful planning:

> In my memorandum, I did not like to insist more strongly than I did on the importance of well-thought out tactics in negotiating with the American Govt. I imagine that, with the French Govt., for example, one can deal exactly as one gentleman deals with another,

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[1]Innes memorandum of August 24, 1909. F. O. 371/610.

> and the moves are not of much importance. With the present American Govt. one can't. Mr. Knox is a typical American, kindly, good natured, with a considerable touch of vanity. But he is as sharp as they make 'em, and if he gets our head in the lemon squeezer, so to say, it will emerge without a drop of juice in it. In time, I expect their attitude will soften down a bit, and if we could secure even a small victory now, it would help that desirable result.[1]

As the lemon had already been squeezed in Honduras, Innes's advice against the acceptance of cash by the bondholders came too late. Mallet thought Innes's recommendations might be helpful in future transactions, but the Councillor's suggestion that the government abandon its laissez-faire attitude towards debt negotiations fell on deaf ears. Neither Innes's nor Carden's advice resulted in a positive policy. As Mallet wrote: "It is very difficult to lay down a principle beyond the very general one that we must endeavor to hold our own in C. A. so far as possible."[2] On September 8th he sent Carden the rather unhelpful answer that his first two alternatives were "clearly out of the question." The third would be difficult to achieve, "but, as each case arises, every endeavour must be made to maintain British rights and interests and to use Gt. Britain's present position in

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[1]Innes to Mallet, private, August 26, 1909. F. O. 371/610.

[2]Mallet's minute to Innes memorandum of August 24, 1909. F. O. 371/610.

order to force the best possible terms from the U. S."[1]

This day by day approach to the problem was also the answer Mallet drafted on September 7th to the Council of Foreign Bondholders in reply to their complaint over the government's refusal to accept the Nicaraguan loan contract. Although he denied that the action of the United States was the primary influence behind the Foreign Office's refusal, Mallet reminded the Council of the delicacy of the situation:

> Since it is clear that the United States Government intend in the future to take a closer interest in the Central American Republics, the problem for His Majesty's Government is to maintain British interests in the Republics without arousing the political jealousy of the United States Government. I am to point out however that it is difficult to lay down any hard and fast line as to the manner in which this can best be done and it will probably be best to consider in each particular case as it arises the best method of procedure.[2]

Thus the policy of the Foreign Office as stated in the fall of 1909 was in the best British tradition of muddling through, and in the following months the policy-makers continued to offer rationales for their inaction. When the Council, in their reply to Mallet's letter of September 7th, commented on "the somewhat extraordinary result" of the policies of the United States and Great Britain in forcing the British bondholders to look to the American government rather than

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[1]Mallet to Carden, September 8, 1909. F. O. 371/610.

[2]F. O. to C. of F. B., September 7, 1909. F. O. 371/609.

their own for protection and redress, Campbell merely noted his belief that "the C. A. Republics will resist absorption financially by the U. S. and that our best policy is to sit tight, & not to come to logger heads with the latter, while doing anything we can to avert such absorption as cases arise."[1]

On learning that the Costa Rican Congress had rejected a contract that had been negotiated with the National City Bank of New York for a debt consolidation, Mallet thought that this was proof of the validity of the thesis that the Americans "will probably encounter a good deal of opposition before they gain complete control of the C. A. Republics & if they attempt to go too fast, they will play our game." The Foreign Secretary agreed with Mallet that any half-hearted opposition to the United States would only embitter Anglo-American relations without achieving any results. As Grey summed up his thoughts on Central America:

> These Central American Republics will only side with us so long as we do not press them for payment of British claims. If we press for payment they will quarrel with us. And they are not worth backing against the U. S. Govt. They can never be depended upon to stand up for themselves or to behave themselves. For us to give them active support would only precipitate U. S. intervention for which provocation is instantly forthcoming. As to earning any gratitude from them, the constant revolutions prevent any chance of that; anyone of their Govts. with which we make friends may

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[1]C. of F. B. to F. O., September 9, 1909, and minute by Campbell. F. O. 371/609.

at any moment be replaced by an opposite party.[1]

Britain could not act as a counter-weight to the United States in Central America, but Grey did have one qualification to his analysis. At "each step of American intervention," Britain had to "claim the open door & equal treatment for our claims." The Foreign Secretary was always more worried about the future of British commercial interests than the problems of the bondholders, and his mention of the open door in 1909 was but one indication that the spectre of a general exclusionary policy by the United States within their sphere of influence had not yet been put to rest.

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[1]Chalkley to Grey, October 30, 1909, and minutes by Mallet and Grey. The reasons given by the leader of the opposition in the Costa Rican Congress, Don Richardo Jimenez, for preferring British to American control of the debt were not flattering to the British. According to Consul Chalkley, Jimenez "compared the advantages which accrued to Costa Rica from having the present debt in English hands with the treatment they might expect from America if the contract became law. He admitted that for 25 years they had been living under a clause which mortgaged the customs to the existing bondholders, but urged that the clause might be considered dead, as the British Government had never attempted to make it effective. He added that it was also true that Great Britain had never subscribed to the Drago doctrine, but on the other hand she had allowed her nationals to remain unpaid in all parts of the world. Sr. Jimenez quoted a passage from a speech by the late Prime Minister, Sir H. Campbell-Bannerman, in connection with the Venezuelan debt which, he said, crystallized the British policy of non-interference by force to collect debts. He added that when Costa Rica received from England just treatment and protection of this nature it would be most imprudent to transfer their debt to the United States, which country would make them carry out the contract, if they signed it, whether they wished to or not." F. O. 371/708.

The particular problem that bothered the Foreign Office in 1909 was the difficulty Britain was having keeping their most-favored-nation commercial treaties in Central America. By the end of 1909 the Nicaraguan treaty was the only one in effect. What did this trend mean? Carden was sure that the Central American governments were reluctant either through fear of the United States or through a desire to clear the way for reciprocity arrangements with the Colossus of the North. As he lamented in a private letter to Larcom in October of 1909:

> Though commercial matters are outside your sphere, the refusal of Salvador to conclude a new Treaty with us, the reluctance of Guatemala to do the same, and the denouncement of our Treaty by Honduras cannot but be of interest to you in showing how we are being pushed to the wall by the United States. It is rather a hard and unsatisfactory job for me to have to be continually fighting a "rearguard action" with no hope of ultimate success, and no credit to be derived even if I succeed in checking their advance for a short time. Indeed I hardly know if it is intended that I should try to oppose the American projects of reciprocity at all. But, so long as I have instructions to negotiate Treaties with these countries, I suppose I must do my best.[1]

Indeed, was it intended that he oppose such American projects? When Carden reported in September his conviction that Salvador had refused to extend their British treaty in order to meet the wishes of the United States, Algernon Law of the Foreign Office's Commercial Department was clearly

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[1]Carden to Larcom, private, October 11, 1909. F. O. 371/607.

worried. Law suggested that Carden be authorized to offer "a discreet opposition" to American reciprocity arrangements by warning the small republics "of the likely results to such close relations and by working on their national pride to avert U. S. predominance such as exists in Cuba." However, Grey was doubtful and was afraid of precipitating a diplomatic struggle that would "probably breed bad blood" between Britain and the United States. But the Foreign Secretary was sufficiently disturbed to ask Bryce if he thought it was desirable to approach the Americans, in view of their recent declarations "in favour of the open door elsewhere," and ask them if they would support an Anglo-Salvadoran most-favored-nation treaty, pointing out that the Foreign Office "have some reason to suppose that it is owing to negotiations with the United States that Salvador has suspended negotiations with this country."[1]

Bryce thought such an approach would be most undesirable. It would be best to wait and see the effects of the new American tariff act that had been passed in August. The Payne-Aldrich tariff had terminated all existing reciprocity agreements except that with Cuba and had turned to a two-schedule tariff system aimed at ending discrimination against

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[1]Carden to Grey, September 11, 1909, and minutes by Law and Grey; Grey to Bryce, October 15th. F. O. 368/279.

the United States. Instead of authorizing the President to negotiate special reciprocity arrangements, the new tariff gave him the power to extend the minimum rates to countries that did not "unduly discriminate" against American imports.[1]

It seemed that the United States had given up the policy of reciprocity, but the Foreign Office was still worried. What was to prevent Congress from passing special legislation for a reciprocity agreement with Salvador? Salvador had rejected an American proposal made in April that she lower her tariff in favor of American goods, but would she do so if the United States offered better terms? Grey accepted a Salvadoran promise that British trade would be treated on an equal footing with other nations even in the absence of an Anglo-Salvadoran commercial treaty, and the situation lost its urgency when Bryce reported that the State Department had dropped its proposals to Salvador and had no intention of renewing them. But the Foreign Office was still not completely satisfied. Even if the United States no longer wanted reciprocity, there were some suspicions in London that the Americans were still using their influence in Central America against the negotiation of commercial treaties with Britain.[2]

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[1]Bryce to Grey, November 2, 1909. F. O. 368/279. U. S. Tariff Commission, op. cit., pp. 31-32.

[2]Minutes to Carden's of September 15th and Bryce's of November 2nd; Carden to Grey, November 13th and F. O. to

These suspicions were reinforced by reports that were arriving at the same time from Guatemala. According to Carden, President Estrada Cabrera was making "no attempt to disguise the fact" that he was reluctant to conclude most-favored-nation treaties with European powers because of his desire "to conciliate the goodwill of the United States." Guatemala had not received a reciprocity proposal from the United States, but the ever-suspicious Carden was taking no chances. He argued at some length with Estrada Cabrera about the dangers to Guatemalan independence that could result from the decline of European interests in his country and close commercial ties with the United States. According to Carden, the Guatemalan President seemed "profoundly impressed."

It is highly doubtful that the wily Estrada Cabrera needed any lectures from Carden about American influence in Central America, but it was obvious that the British Minister was once again playing a rather dangerous game, for Carden's arguments were essentially the very ones that Grey had been

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Carden of December 20th; Bryce to Grey, December 9th, and minute. "There can be little doubt," Bryce wrote on December 9th, "that the United States Government would like to use any diplomatic influence at their command to push United States trade in the Central American Republics and indeed in Spanish America generally. This is one part of Mr. Root's Pan American policy which his successor has taken over." The American government "might be glad at some time" to extend the idea of trade reciprocity and mutual preference into Central America, but Bryce thought it was highly unlikely in the present Congress.

afraid to authorize in the case of Salvador. Grey was still torn between the desire to avoid a clash with the United States and the feeling that British interests might be in danger. Prudence won out, and Carden's ardor was dampened once again. Carden's language to Estrada Cabrera was "generally approved" but he was warned that his negotiations with Guatemala for a commercial treaty should not "take the form of direct opposition to the commercial policy of the United States Government in Central America."

> I doubt the wisdom, except as a last resort, of warning the Central American Governments of the prejudice which is likely to result from the predominance of the United States, since they must be already aware of the probable results of their present policy and a diplomatic struggle between the Representatives of this country and those of the United States on the spot will probably endanger the relations between this country and the United States without gaining the object which we have in view.[1]

In retrospect, it can be seen that the British fears over Latin American reciprocity during the Taft administration were baseless. Whatever intentions the State Department may have had in the spring of 1909, reciprocity never became one of the weapons of "dollar diplomacy" in Latin America.[2]

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[1]Carden to Grey, October 9, 1909, and minutes; Langley to Carden, November 22, 1909. F. O. 368/279.

[2]The Taft administration did use the act of 1909 to get tariff reductions from Brazil in return for the minimum rates. This was not a reciprocity agreement but rather an expansion of a preferential list on a number of American imports that Brazil had given the United States in 1904. U. S. Tariff Commission, op. cit., p. 285.

Taft's only attempt at reciprocity was the agreement of 1911 that was rejected by Canada, and there was little sentiment left in the United States for any general system of reciprocal agreements. As the American Tariff Commission put it in 1918, the Payne Aldrich tariff of 1909 "marked a distinct departure from the policy of seeking special favors by granting reciprocal concessions."[1] But British fears for the future of the open door lingered on, and their suspicions of the intentions and tactics of the Americans continued to color the Foreign Office's attitude towards the United States despite the desire to avoid a diplomatic "tussle" of any kind.

Another problem that came up early in 1909 was the old question of the use of British naval vessels for the protection of British interests. In April the Foreign Office received a complaint from Carden of a type that Consul General Murray had already made regarding Haiti and Santo Domingo. Complaining of arbitrary behavior on the part of local governmental officials all along the Atlantic seacoast district of Guatemala, Nicaragua, and Honduras, Carden as usual had a suggested remedy.

> I am given to understand that since the more or less regular visits of British Ships of War to this coast have ceased, the local authorities show a marked differ-

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[1] Ibid., 31. The Republican platform of 1904 dropped earlier references to reciprocity, and both the Republicans and the Democrats were silent on the subject in 1908. p. 265.

> ence in the treatment accorded to British subjects, as compared with American citizens, who have frequent opportunities afforded them of complaining to the Commanders of American cruisers and obtaining prompt redress. I would therefore strongly recommend, if it could be arranged, that this coast be regularly visited by one of His Majesty's Ships at intervals of four or five months, which shall call at all the Ports from Livingston to Greytown, and that their Commanders be instructed to hear grievances and obtain their settlement when it depends on the action of the local authorities.[1]

Mallet vetoed the idea of naval officers receiving complaints and obtaining settlements for a number of reasons: the Admiralty would not welcome the idea; it was a proper task for diplomatic and consular officers; and it "might lead to complications & to difficulties with the U. S." But the Foreign Office was in favor of periodic visits, and the Admiralty, after a rather testy statement that British cruisers had in fact already visited the Central American coast that year, agreed to make arrangements for scheduled annual visits between December and April "if practicable."[2] In reality, British men-of-war were to be much more active in Central American waters in the coming years than either the Foreign Office or the Admiralty anticipated, and, even before the arrangements were made, Carden had already called for a cruiser to deal with an incident on the Escondido river in Nica-

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[1]Carden to Grey, April 26, 1909. F. O. 371/609.

[2]Minutes to Carden's of April 26, 1909; F. O. to Admiralty, June 2nd; Admiralty to F. O., June 28th; Grey to Carden, July 6th. F. O. 371/609.

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The strike and riots that broke out in May of 1909 by the independent banana planters in the valley were the result of a concession by President Zelaya to the Bluefields Steamship Company for exclusive navigation of the river. In spite of a favorable decision in the supreme court of Nicaragua obtained by a small planters' association in 1907, the monopoly continued in effect. Although the only sizable British-owned plantation in the area was the Canadian Cukra Company, there were over two hundred British West Indians working small plots in the valley. Some of them took part in the general disorders that broke out in opposition to low prices, the rejection of fruit, and other oppressive tactics of the shipping company. When Zelaya declared martial law and went to the aid of the company, his soldiers simply swept in large numbers of the planters along the river and imprisoned them at Bluefields without hearings or bail. According to Carden, more than fifty of the prisoners were British subjects, and he was sure that only the presence of a British cruiser would ensure the "proper attention" to his complaints by the Nicaraguan government.

As the Bluefields Company was believed to be controlled by the powerful United Fruit Company, the Foreign Office assumed that British and American interests were opposed in the incident and was therefore doubly cautious. They decided

to inform the State Department that it might become necessary to send a British ship to Bluefields if Nicaragua did not make a satisfactory reply. As Larcom put it: "This will afford them the opportunity to play policeman, if they desire to do so and freeing our hands if they do not." Grey was even more cautious and authorized the notification only after adding an instruction to Bryce to make it clear to the State Department that if a British ship was sent "it will not be to influence any commercial questions involved but to secure the persons of British subjects from arbitrary ill treatment.[1]

When Bryce told Knox of the possibility of a British ship going to Bluefields, the Secretary of State informed him that the United States was sending a gunboat there at the request of the steamship company, but Bryce was unable to get any observation or comment on the possible British action.[2] Although it seemed that a ship would not be necessary when

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[1]Carden to Grey, May 7, 1909, and minutes; Grey to Bryce, May 8th. F. O. 371/609.

[2]Bryce to Grey, May 13, 1909. When Carden telegraphed that the incident was at an end on May 11th, the F. O. told Bryce that it would not be necessary to send a ship at the time. When Bryce told Knox of this, the Secretary of State "did not refer in any way to the recently contemplated action of His Majesty's Government, either by way of expressing agreement with my observation that these appearances of a gunboat were sometimes needed--I mentioned the similar case of 1895 . . . or by way of deprecating any action of the kind on the part of a European Power." Carden to Grey, May 11th; Grey to Bryce, May 13th; Bryce to Grey, May 20th. F. O. 371/609.

Carden reported that the prisoners had been released, a later cable from the minister told of new arrests and of his fears that a ship would still be needed. Carden had ordered the British Consul at Greytown to go to Bluefields to investigate the situation in view of the fact that the British Vice-Consul there was himself accused of connivance with the strikers. If a British ship was not sent at the same time as an American man-of-war, Carden feared that "attention will be paid only to interests of American Company to the detriment of inoffensive British subjects, whose interests may conflict with their own."

In light of the seeming indifference shown by Knox to the earlier proposal, the Foreign Office now decided that the presence of a British ship would not offend American sensibilities. Although Bryce did inform the State Department of the decision to send a ship to Nicaragua, the Foreign Office had not specifically ordered him to do so. However, this did not mean that Mallet and Grey had forgotten the implicit dangers in the situation. Mallet suggested that the captain of the Indefatigable be told that there seemed to be a conflict of interest between the American shipping company and the British planters "and that he should confine his action to securing persons of British origin from arbitrary ill treatment & be careful to avoid any difference with the American Commander or any appearance of interference in the

internal affairs of the Republic which might raise the question of the Monroe doctrine." Grey agreed but he decided to delete the last phrase. "It is perhaps better not to refer to the Monroe Doctrine, the correct interpretation of which has been a subject of dispute; the instructions given will be sufficient to prove that we are not threatening it."[1]

The Bluefields incident soon quieted down. The American consular officer sent to investigate placed the blame for the disorders on Zelaya and the Bluefields Company and the supposed conflict of interests did not materialize.[2] The captain of the Indefatigable and the British consul made detailed reports, and the small claims--about $10,000 in all--of the Jamaican planters became a routine case of damages. In answer to a query by Bryce in September as to the intentions of the State Department, Adee replied that the American policy had not been formulated as yet, and the question of the navigation of the Escondido was soon temporarily swallowed up by the outbreak of a full-fledged revolution against Zelaya.[3]

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[1]Carden to Grey, May 25, 1909, and minutes; F. O. to Admiralty, May 27th; Bryce to Grey, June 5th. F. O. 371/609.

[2]Bryce to Grey, May 30, 1909. F. O. 371/609. The United Fruit Company did own almost half of the Bluefields Steamship Company's stock at the time, but they claimed that they did not have control over its management. See Munro, op. cit., pp. 172-73.

[3]See Carden's of June 28 and July 30, 1909, and minutes; Grey to Carden and Bryce of September 7th; Bryce to Grey of October 6th. F. O. 317/609.

Whatever the Monroe Doctrine did mean, Grey and his subordinates had had ample opportunity to mull over the problem in 1909. Whether it was the Monroe Doctrine or a sphere of influence in Central America, the British government had been as cooperative as possible in both Honduras and Nicaragua. But the October revolution against Zelaya and the resulting Nicaraguan civil war of 1909-1910 brought up all the questions connected with British interests once again. Claims, the external debt, naval policy, and the "open door" were all eventually affected by the events in Nicaragua.

The initial reactions of the Foreign Office to the Nicaraguan revolution were mixed. Although it is highly improbable that the State Department encouraged or instigated the revolt in any way, there were some suspicions in London. The Foreign Office realized that Zelaya was the Americans' bete noire. Knox had made this perfectly clear over the Nicaraguan loan, and in May Huntington Wilson had told Bryce that Zelaya was a mere "ruffian" who stayed in power only because "no one was public spirited enough to risk his own life in killing him." According to Wilson, the American government had been "tempted to encourage . . . Costa Rica, Honduras and Salvador to combine to dethrone" Zelaya, but they had not done so as it would have been a breach of the Central

American Arbitration Treaty of 1907.[1] Little wonder that Rowland A. Sperling, one of the more anti-American clerks in the American Department of the Foreign Office, thought that the State Department was planning "some coup" against Zelaya, and that Larcom was sure that the "U. S. will certainly not regret the revolution, even if they have not promoted it--which seems not impossible as in Panama!"[2]

Would British interests be best served by a Zelaya victory or defeat? The Foreign Office was unsure. The British could see little difference in the moral qualities of Zelaya and those of such other Central American dictators as the debt-defaulting Estrada Cabrera, and Sperling argued that on "material grounds" it was "on the whole to our advantage to stand in with President Zelaya." Not only was there the probability that a new regime would cancel such monopolies as those given to the British bondholders, but Britain had "lost an immense amount of prestige in Central America this year by truckling to the U. S. over the Honduras debt question." Larcom was not convinced that the "material interests" of Britain would be best served by a Zelaya victory, but he too argued that there was no justification "for our assisting

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[1]Bryce to Grey, May 30, 1909. F. O. 371/609.

[2]Minutes by Sperling and Larcom to Bryce's despatch of October 6, 1909. F. O. 371/609.

the Revolutionists in any way, by recognition or otherwise."[1]

Mallet seemed to view the whole episode as a justification of the British policy of inaction. When Carden reported that Taft's policies were becoming increasingly unpopular in Central America, Mallet again stated his belief "that if the Americans were left to themselves, they would have sufficient difficulties of their own making it quite unnecessary for us to interfere to protect British interests--even if such intervention were possible."[2] On the other hand, Hardinge seems to have welcomed the idea of American intervention. As he wrote in a private letter to Bryce, it would be "a very good thing" if Knox treated Nicaragua with "a firm hand" for the advantage of "everyone concerned."[3]

With the United States showing such keen interest in the Nicaraguan revolution, and in the absence of any extensive

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[1]See minutes to Admiralty to F. O., November 19, 1909, and Carden to Grey of November 22nd. The discussion was brought about by the problem of an announced blockade of Greytown by the rebels, and newspaper reports that the United States had recognized the insurgents as belligerents. In response to a British enquiry, the State Department told Bryce that the United States was not officially recognizing the belligerency of the rebels, "but that they recognize what they call a certain right of insurgency, apparently something approaching but not amounting to belligerency." Bryce to Grey, November 25th. F. O. 371/610.

[2]Mallet's minute to Carden to Grey, December 22, 1909. F. O. 371/835.

[3]Hardinge to Bryce, private, December 10, 1909. Bryce Papers, USA 29.

British interests, the Foreign Office followed a policy of impartiality towards the contending factions. In response to Carden's request, a cruiser was sent to the Atlantic coast of Nicaragua to protect British lives and property, but the move had no political implications. The British did not aid the rebels in any way, but neither did they have any intention of hampering their activities for Zelaya's benefit.[1]

In spite of their determination not to become involved in the internal affairs of Nicaragua, the presence of British ships there did lead to some uneasy moments for the Foreign Office. After Zelaya executed two American citizens who were participating in the revolt, Taft broke off diplomatic relations with Nicaragua and made it clear that the United States was intent on the removal of Zelaya from power.[2]

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[1]Carden to Grey, November 14, 1909; F. O. to Admiralty, November 16th. The British did not recognize a rebel "blockade" as it was ineffective, but the Scylla refused to treat revolutionary vessels as "pirates." Grey wanted British vessels protected on the high seas, but British naval ships were not to police Nicaragua's territorial waters. This was to be the responsibility of the Nicaraguan government, with the British reserving the right to claim damages if the necessity arose. Carden to Grey, December 10th, and minutes, and reply of December 11th. F. O. 371/610.

[2]Bryce could find no "exact precedent" for the American action. "A precedent for refusing to recognize that the country has in fact any legitimate government at all is found in the case of Nicaragua itself as late as 1893, but indeed the diplomatic history of the relations between the United States and the Central and Southern American States is full of singular and peculiar situations in which the

Thus when an urgent cable arrived from Carden on December 17th stating that Zelaya had requested the use of H. M. S. Shearwater, which was at Corinto enroute to South America, to flee the country, the Foreign Office had some natural qualms about offending the United States. It was a delicate situation, but, as Larcom put it, the British could hardly refuse assistance "to the Chief of a friendly State, even though the State be Nicaragua and the Chief a Zelaya!"

After some soul searching, Grey decided that the British ship could give refuge to Zelaya and deposit him at a distant neutral port if the Nicaraguan promised not to return without the consent of the British government and if he could "find his own way" to the Shearwater. Mallet specifically told the Admiralty to make it clear to the British captain "that his responsibility will only begin when Zelaya is actually on board." There was to be no intervention if Zelaya was "seized either by U. S. Marines or Nicaraguans on his way to the ship . . . as it is desirable to avoid anything in the nature of an incident with the U. S. forces." Zelaya had no desire to end up at a distant port and was reluctant to give any promises to the British, and, needless

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United States has taken action falling short of complete recognition of contending factions in various degrees. It may indeed be said that in these regions abnormality is the rule and normality the exception." Bryce to Grey, December 6, 1909. F. O. 371/610.

to say, no one in the Foreign Office was unhappy when the news arrived that the ex-President had left for Mexico aboard a Mexican gunboat.[1]

On the Atlantic side of Nicaragua, the vigor of the commanding officer of H. M. S. Scylla caused more uneasiness the following month. There were a considerable number of British subjects, mostly Jamaicans, living in the area of Greytown, and Commander Thesiger evidently took his orders to protect British lives and property quite seriously. On hearing that revolutionary forces were threatening Greytown, Thesiger, on January 5, 1910, notified the leaders on both sides that he would not allow any fighting to take place within the city, and, if necessary, he would land a strong armed force to prevent it.

When the news of the notification reached London by way of Carden, Mallet, thinking it "desirable" to avoid any landings, reviewed the instructions given to the British ships during the Haitian revolution of 1908 and told Carden

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[1]Carden to Grey, December 17, 1909, and minutes; Grey to Carden and Bryce of December 17th; Bryce to Grey, December 17th, and Mallet to Admiralty, December 18th; Carden to Grey, December 19th, 20th, and 23rd and minutes; Macleay to Grey, December 28th. Bryce reported on December 20th that the State Department, while "not concealing their wish" that Zelaya "should be dealt with by the insurgents," implied "that they would be satisfied if he were removed to some distant part of the world." The Foreign Office was considering sending Zelaya to Valpariso, Chile. F. O. 371/610. See also Admiralty to F. O., March 1, 1910, and reply of March 11. F. O. 371/835.

that no force should be landed "except in case of urgent danger to H. M. Consul & in order to bring him away with any other British subjects who may wish to leave." The Foreign Office's precautions were too late. What Mallet did not know at the time was that Thesiger had already landed a small force on January 15th before the instructions arrived. His notification of January 5th and the presence of the British party ashore from the 15th to the 22nd seemingly prevented the rebel attack on Greytown. The Foreign Office did not complain about Thesiger's action--in fact he was commended for the "able manner" in which he had handled the situation--but Mallet had also been careful to tell Bryce to inform the State Department of his limiting instructions to Carden.[1]

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[1]Carden to Grey, January 15, 1910, and minutes; Grey to Carden and Bryce of January 17th; Carden to Grey, February 11th; Thesiger's report of January 22nd is enclosed in Admiralty to F. O. of March 5th.

There were the inevitable comparisons later between the British action at Greytown and the American action at Bluefields in May of 1910 that saved the rebel movement from collapse. Thesiger, who thought the landing of marines and the prohibition of fighting in Bluefields by the Americans "undoubtedly unjust," argued that the circumstances were different. Although the Americans ordered the rebel troops out of the city, Estrada and his staff remained and the defenders had access to reserves of money, ammunition, and food supplies. This, according to the British captain, gave the rebels an unfair advantage and prolonged the revolution. However, Thesiger turned down a request from the Madriz government to go to Bluefields at the time for fear of complications with the United States, a course that was commended by the Foreign Office. See Thesiger's telegram of June 2nd in Admiralty to F. O. of June 3rd, and his report of June 17th in Admiralty to F. O. of July 9th. F. O. 371/835 and 371/836.

The British had no objections to the use of force to defend British interests as long as it was clear to Washington that they had no intention of interfering with the political situation in the American "sphere of influence."

The British regard for the susceptibilities of the United States was also clearly in evidence regarding the question of the recognition of the government of José Madriz. When Zelaya resigned in December, the Nicaraguan Congress elected Madriz as Provisional President, and, in January, Carden wanted to know if Britain was ready to recognize him. He was authorized to open negotiations on pending questions with Madriz's Minister for Foreign Affairs, but the Foreign Office did not want him to raise the question of formal recognition as yet. The British had no objections to Madriz, but they first wanted to see what policy other countries were following, particularly the United States.[1]

In spite of the removal of Zelaya, the American government was not satisfied with the change. Fearing that Madriz, a member of the same political party as Zelaya, was too closely connected with the former dictator, the Taft administration was now opposed to the recognition of the new president. When Bryce reported that the State Department had informed him on March 23rd that they had "no present intention"

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[1]Carden to Grey, January 26, 1910, and minutes; Grey to Carden, January 31st. F. O. 371/835.

of recognizing Madriz, London continued tc wait, but reports that the revolution was at an end led Grey to sound out the American position once again. On April 7th he told the American Chargé at London that there no longer seemed to be any reason for Britain to withhold recognition.

> When I had last enquired, the United States Government considered that the revolutionary party represented the real feeling in Nicaragua, and they were not prepared to recognize President Madriz. I therefore wished to know their present view before I took the step of recognizing him, for--although there seemed to be no reason for not recognizing President Madriz--I did not wish our recognition of him to be construed, either in Nicaragua or elsewhere, as a sort of political demonstration in opposition to the policy of the United States Government.

On April 15th Philips told Grey that Knox greatly appreciated his courtesy in the matter and gave the Foreign Secretary a memorandum stating "that the United States would be gratified if no action need be taken by the British Government in this matter at present." Grey pointed out that it was"a little difficult" to defer recognition in light of reports from Nicaragua that the situation was stable, but he would "keep the matter open for some time longer." Despite an appeal from the Nicaraguan minister at London, the British continued to defer recognition and to rebuff all attempts by the Madriz government to get Great Britain involved in their quarrel with the United States.[1]

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[1]Bryce to Grey, March 23, 1910; Grey to Bryce, April 7th; Grey to Bryce, April 15th; minutes by Mallet and Grey

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[1]Bryce to Grey, March 23, 1910; Grey to Bryce, April 7th; Grey to Bryce, April 15th; minutes by Mallet and Grey

Although the British were quite cooperative in following the American lead on recognition, the American policy did cause some irritation in London. According to Carden, foreigners and Nicaraguans alike were suffering "incalculable" injury from the revolution, and two British agricultural companies had complained to him of very serious losses arising from a labor shortage caused by the fighting. Who was to blame? Carden had "no hesitation whatever" in saying that all of the great loss of life and property since the resignation of Zelaya was "a direct result" of the American refusal to recognize Madriz.[1] Grey was sufficiently impressed by Carden's report to mention the subject to Ambassador Reid when they met on June 16th. As he wrote to Bryce:

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on 15284. F. O. 371/835.

After the American action at Bluefields, Great Britain was one of the European nations asked by Madriz to use their good offices with the United States on behalf of his government. The British replied that they "could only mediate at request of both parties, & that they cannot therefore propose mediation to one party at the request of the other." See Carden to Grey, June 9, 1910; Grey to Carden, June 14th; Mallet's memorandum of June 21st to Grey and reply in 22543; Grey to Bryce, June 22nd; Bryce to Grey, July 2nd. According to Consul Bingham at Greytown, a "delegate" from Madriz "said that he was authorized by the President to offer England Corn Island for a coaling station and the right of way through Nicaragua for a canal if she would interfere in the matter. . . ." Carden told Bingham that such an offer could only be considered if it came from Madriz himself, and even then it was "very unlikely that it would be accepted." See Carden to Grey of June 9th and enclosures. Carden's answer was approved by the F. O. on July 5th. F. O. 371/836.

[1]Carden to Grey, April 16, 1910. F. O. 371/835.

> I told the United States Ambassador to-day that I was receiving complaints from British subjects engaged in trade in Nicaragua of the damage caused by the prolongation of the revolution.
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> The statement made to me was that the revolution would come to an end at once if the United States Government would recognize the Government of Senor Madriz.
>
> I had no interest in promoting the success of one party or the other in Nicaragua, but it was very important, in our trade interests that the revolution should come to an end, and I should be very glad to hear what the United States proposed to do.

The State Department showed little sympathy for Grey's complaint. On July 22nd Reid told Campbell that Washington was unable to understand on what Grey's information was based. According to their reports, there were no British traders "of any standing" in Nicaragua, only a few West Indian negroes. As the leader of the revolutionary party, Juan J. Estrada, was "at least as worthy" as Madriz, who was following the same course as Zelaya, the American government "saw no reason to change their views with regard to the situation in Nicaragua."

With the exception of Carden's rather vague report, the Foreign Office really knew very little about the actual status of British trade in Nicaragua. Thus Grey's reply to Reid on July 29th was a bit lame. The Foreign Secretary was only able to refer to Carden's report of "incalculable" injury and the two specific complaints, and to tell him that

further inquiries were being made.[1] By the time Vice-Consul Godfrey Haggard and Commander Thesiger of the Scylla had made their reports on the situation, the revolution was at an end. Estrada's forces had turned the tide, and by the end of August the Madriz government had collapsed. The American policy of opposition to Zelaya and Madriz had carried the day, and the problem of recognition was ended.

But if the Nicaraguan civil war had come to a temporary end, the irritation and fears of the British lingered on. Haggard was only able to report on one specific case of crop losses due to the labor shortage suffered by a British owned sugar plantation, and, as Sperling admitted, this would not have been a very convincing retort to the State Department.[2] But the Foreign Office was incensed at the treatment of the planters along the Escondido river as reported by the captain of the Scylla. According to Thesiger, the Bluefields Steamship Company was still maintaining its monopoly of the carrying trade on the river, and the "Planters Association," formed by the independent planters in the valley as a competing carrying concern, was suffering heavy losses due to

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[1]Grey to Bryce, June 16, 1910; Grey to Bryce, July 22nd; Grey to Reid, July 29th. F. O. 371/836.

[2]The Nicaragua Sugar Estates, Limited, claimed it would lose half of the year's crops. See enclosure in Haggard's despatch of September 10, 1910. F. O. 371/836.

low prices. The association claimed its members were losing $250,000 a year, and as 3/4ths of the members and most of the capital was British, some 250 British subjects were involved in the dispute. As Thesiger described the case, the United States was responsible for the continuance of the monopoly:

> When the Planters complain to Estrada, he informs them that he quite agrees that they ought to be allowed to work, but that the United States of America have given him orders that they are not to do so, and, as he is absolutely under the United States of America, he has to do what they tell him.
>
> The Planters saw the American Consul about it, but all he would say was that, if they became an American company they would be able to start away at once. This the Planters absolutely refuse to do, stating that they would sooner lose everything than turn over to the United States of America.

Was this an example of the treatment that British interests would get if the United States were allowed a free hand in Central America? At least here was a tangible complaint to make, and the Foreign Office made the most of it. Mallet found it "intolerable" that the Americans should treat British trade in such a way, and "we must take up the matter seriously." A memorandum based on Thesiger's report was given to Reid on November 2nd asking the State Department to investigate the case. If the facts were correct, the Foreign Office wanted the Department to order their consul to stop intervening "& remove from S. Estrada's mind the impression referred to, as His Majesty's Government are convinced that the United States Government do not desire to encourage the

inequitable treatment which has been experienced by the British Company."[1]

The touchiness exhibited by the Foreign Office over the plight of the Planter Association indicates the extent to which American policy in Nicaragua had revived their doubts as to the adequacy of British policy in Central America. Even before Thesiger's report arrived, Grey had expressed his uneasiness in a private letter to Ambassador Bryce on August 11th. As Bryce was about to leave on a trip to South America, the Foreign Secretary asked him to pay attention to German activity in the southern continent and went on to voice a few doubts about the Americans as well:

> I wonder whether with the smaller Republics our accepting the political line of the United States of America so long as we get the open door is doing any injury to our commercial interests. It is no good our attempting to run these little Republics against the United States of America: we could never bolster them up and eventually they would turn against us; but I do not want to lose our commercial interests by excessive complacency to the United States of America, whose policy seems sometimes to be inspired by American adventurers.[2]

Grey was rather miffed at the fact that Knox could complain of the lack of British cooperation in maintaining

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[1]HMS Scylla to Admiralty, August 19, 1910, in Admiralty to F. O., September 26th, and minutes; F. O. memorandum to Reid, November 2nd. F. O. 371/836.

[2]Grey to Bryce, private, August 11, 1910. Grey Papers, vol. 43.

the open door in China and Manchuria at the same time that Britain was having troubles in Central America. As the Foreign Secretary wrote Bryce in another private letter on January 7, 1911, he was ready to support the open door in Manchuria "in every way that I can with regard to existing arrangements," but there were "other parts of the world besides Manchuria." The Foreign Office was having great difficulties getting commercial treaties in Latin America and was "constantly finding that the difficulty is caused by a belief among Central and South Americans that the United States are not favourable to the open door." And they had heard from Nicaragua recently that ships flying the British flag which had been prevented from trading "would have been allowed to trade if they had been under the American flag."

> I do not suggest that Mr. Knox has instigated this belief amongst Central and South Americans, though I think it possible that some of his representatives may have encouraged it.
>
> It would however be only fair that he should do his best to keep the door open, and not allow it to be shut under cover of a suspicion that the United States resent it being open, when it is in the power of his representatives in Central America to remove the suspicion.[1]

Although the State Department never gave any explanation of the conduct of their consul in Nicaragua, the case of the Planters Association proved to be a tempest in a teapot. On January 30, 1911, Philips passed on to Grey the information

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[1]Grey to Bryce, private, January 7, 1911. F. O. 371/1057.

from the American consul at Managua that President Estrada had instructed his governor at Bluefields to issue permits to anyone wishing to navigate the Escondido.[1] This removed the only concrete complaint that the British had against the United States, and British fears for the open door there tended to die down. But the ingrained British suspicion of American motives in general remained strong and would flare up in the last years of the Taft administration over the issue of British claims against the new Nicaraguan government.

Grey of course was not the only one worried about the adequacy of the British policy in Central America.[2] The Foreign Office was again under fire from the British bondholders in 1910. The Nicaraguan revolution had affected the security of the external debt, and in this case the threat to British interests came from the abolition of monopolies rather than the continuation of one. The first appeal for assistance in

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[1]Philips to Grey, January 30, 1911. F. O. 371/1057.

[2]For a scathing attack on the Foreign Office and Ambassador Bryce in the British press in the fall of 1910, see Percy F. Martin's letter to the editor of the British Trade Journal, printed in the South American Journal for September 3, 1910. Martin had been sent by a group of British trade journals on a fact finding tour of Central America in the fall of 1909. His overdrawn but colorful attack on the Foreign Office for truckling to the United States over commercial negotiations was sent from Guatemala. See also the South American Journal's comments on Bryce in the same issue.

1910 came in February from the Ethelburga Syndicate, the group that had issued the controversial Nicaraguan loan of 1909. At that time the civil war was still in progress, and the syndicate had it from "unimpeachable sources that the revolution was undoubtedly fostered in the United States." The American government, after openly advocating the insurgent cause, was taking no steps to quell the uprising "which they could quite easily do in a few hours." As a result construction of the proposed railway was stopped and the syndicate had already incurred considerable expenses. In addition, the Nicaraguan government had not transferred the liquor and tobacco monopolies to English companies as specified in the contract of 1909, and now the government was planning to cancel the concessions.

After the warnings issued at the time of the loan to Zelaya, and the stand taken by the Foreign Office in refusing a copy of the contract, Grey and Mallet had scant sympathy for the problems of the syndicate. Their answer was curt; no useful purpose could be served by any discussion of the matter with a representative of the financiers as the British government "cannot protest against the cancellation of monopolies, which they understand are illegal, nor can they interfere in the internal affairs of Nicaragua." In spite of another appeal in May following the actual cancellation of the concessions, the Foreign Office continued to refuse to aid the

syndicate in their quarrel with the Central American government.[1]

However, no sooner had the Foreign Office washed its hands of the Ethelburga Syndicate than the problem of the Honduran debt arose once again. Morgan had been able to negotiate an agreement with the Honduran government for a loan in December of 1909, but the State Department was having trouble getting the reluctant Hondurans to accept a treaty for American control of the customs.[2] When the one year agreement made between Morgan and the British bondholders lapsed in August of 1910, the Council of Foreign Bondholders prolonged the time limit for another six months, but they were unhappy about the delay. In a letter of August 9th, complaining about the present situation in Guatemala and their past treatment in Santo Domingo, the Council once again broached the subject of Honduras to the Foreign Office.

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[1]Ethelburga Syndicate to F. O., February 25, 1910; Reply of March 9th; Ethelburga Syndicate to F. O., May 2nd, and reply of May 13th. At the request of the Council of Foreign Bondholders, the F. O. did give the syndicate's representative a formal letter of introduction when he went to Nicaragua in 1910 to discuss the matter, but Carden was warned that the British government "must not be regarded as supporting the Syndicate in their dispute," and he was to confine his assistance to helping the representative in communicating with theproper Nicaraguan authorities. Grey to Carden, May 19, 1910. F. O. 371/835.

[2]See Munro, op. cit., pp. 221-23.

The Council's complaint received little sympathy from Mallet who found the tone of the letter "very carping, but without reason." His reply of September 1st was hardly calculated to soothe the Council. The time was not ripe for considering any action in their behalf in Guatemala or Santo Domingo. As for Honduras, Mallet wrote, the choice to go in with Morgan had been entirely the Council's own, and Grey presumed that the six month extension had been accepted because the bondholders thought that it was advantageous to their interests.[1]

But the Council had succeeded in setting off another general review of the Latin American debt situation within the Foreign Office and in causing more soul-searching over the adequacy of British policy. Already worried about the open door in Central America, Grey now attempted for the first time to lay down a more positive general policy that would dispose of the irritating debt problems. Although Honduras had refused in the past to arbitrate on the external debt, this had been Grey's first thought when this particular case had come to his attention. Was this the solution? And should not the United States help Britain in return for her cooperation in following the American political line? Grey now laid down the following prescription for bringing an end

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[1]C. of F. B. to F. O., August 9, 1910, and Mallet's reply of September 1st. F. O. 371/837.

to the debt questions:

> Where negotiations fail ask for arbitration, when we can make a case for it & I do not see why if the U. S. A. cannot be made an actual party to an arbitration they should not, where they have intervened as in San Domingo & assumed control of the finances, be asked to support the request for arbitration & to agree to support the execution of the award.
>
> In other cases where to fall in with a U. S. scheme offers a prospect of fair settlement with our bondholders let us encourage that course.
>
> When this course is not open & separate negotiations by ourselves are feasible we should ask at Washington that the U. S. should not oppose.[1]

It was easier to state such a policy than put it into effect, particularly with the bondholders clamoring for immediate aid. As the Council wrote on September 13th, Mallet's letter of September 1st had been received with "profound disappointment and regret." It was only another indication of the "extreme reluctance" of the government to give any definite assistance to British investors in foreign bonds. Not only did they disagree with Mallet's observations on Honduras, Santo Domingo and Guatemala, but now, for good measure, they complained of new problems with Ecuador and Colombia, the alienation of securities in Nicaragua, and the fact that Costa Rica had not serviced her debt in ten years.

One of the difficulties in Grey's prescription was determining when an American scheme offers "a prospect of a fair settlement" and the point at which negotiations with

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[1]Grey's minute to C. of F. B.'s letter of August 9th. F. O. 371/837.

the Central Americans were a failure. In words that would have warmed the heart of Lionel Carden, Rowland Sperling of the American Department argued that there was no action required by the Foreign Office in the cases of Nicaragua, Colombia or Ecuador, but that the time had come to demand arbitration in Costa Rica, Honduras, Guatemala, "and possibly Santo Domingo." The "crux of the whole matter" was the belief of the Central Americans that whatever the British say they will do nothing "especially if the U. S. object." Thus the Foreign Office would have "to make it quite clear to the U. S. as well as to the Republics concerned that we meant to have the award executed."

> I venture to think that if we were seen to be in earnest the Republics themselves would compete with the U. S. G. in the offer of reasonable settlements to the bondholders; the Republics because they would realize that if they did not pay the U. S. would pay for them and assume control of their finances; the U. S., because they would be anxious to maintain their predominance in Central America at all costs.
>
> It may be said that such action would be deeply resented both by the U. S. & by the Republics. But, as far as I have been able to see, we have gained nothing at all by considering U. S. susceptibilities in these matters.

This was strong talk, but Sperling's superiors were not yet ready to run the risk of American resentment. Mallet reviewed the histories of the different cases once again and the degree to which his predecessors had given official aid to the bondholders in the past, but he was in no mood to inaugurate a general policy of strong action in their behalf.

The Council, Mallet complained, "treat us as if we were their agents & we cannot accept the role. We can only help them unofficially if they help themselves." And the Foreign Office's reply to the Council's last complaint contained little in the way of encouragement and made no mention of any policy of resorting to arbitration.[1]

Only in the case of Honduras was any concrete action taken at this time. A general meeting of the bondholders in July had agreed to extend the time limit on the Morgan offer, but only on the condition that they receive some compensation from the American banker for the delay. The Council felt that they were entitled to a 5% per annum interest charge to date from the expiration of the original one year agreement. Because of their part in the earlier negotiations, the Foreign Office evidently felt an obligation to do something in the matter, and, on September 28th, Mallet wrote to Grenfell supporting the compensation request and reminding him of their conversation in June of 1909 in which the banker had held out the prospect of some additional payment to the British holders of Dominican bonds. The resulting correspondence between Morgan's London representative and Mallet was polite but fruitless. Grenfell had been unable to get any assurances

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[1]C. of F. B. to F. O., September 13, 1910, and minutes; Langley to C. of F. B., November 1st; See also the Council's letter of November 16th and Spicer's minute. F. O. 371/837.

from Hollander regarding the Santo Domingo settlement, and Morgan could not agree to any compensation "since it is through no fault of their own that the negotiations between the Governments of the United States and Honduras have been postponed."[1]

Mallet decided that the time had come to approach the United States once again. On October 21st he ordered Innes to tell the State Department of Morgan's refusal to pay the interest and to ask them what progress was being made in the negotiations between the American and Honduran governments "for the appointment of the Financial Adviser." According to Gerald S. Spicer, the new Chief Clerk of the American Department, the American answer was "vague and unsatisfactory." Innes was merely told that the negotiations were proceeding satisfactorily and that the State Department understood that the extension of time had already been agreed to by the Council and Morgan.[2]

Grey and Mallet certainly had no desire to scuttle the arrangement between the Council and Morgan. They were aware of the unpopularity of the American proposals and the improbability that they would be accepted voluntarily, but

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[1]Mallet to Grenfell, September 28, 1910, and reply of October 7th; Mallet to Grenfell, October 22nd, and reply of October 24th. F. O. 371/837.

[2]Grey to Innes, October 21, 1910; Innes to Grey, October 24th, and minute. F. O. 371/837.

there was no desire in London to revive the Carden plan, and they were more than ever convinced of the wisdom of refusing to back Honduras in rejecting the American plans.[1] They continued to insist that the British government was not responsible for the bondholders' decision to go in with Morgan, and Mallet thought the Council "a wooden-headed lot" for continuing to maintain otherwise. But the general irritation over American policy in Central America that was building up was reflected here too in the decision to continue to press the United States on the matter of compensation. Mallet told Innes now to ask the State Department to use their influence to induce Morgan to meet the reasonable and just request of the Council. If this was not done, it would "be difficult for H. M. G. to maintain their attitude of neutrality vis-a-vis the U. S. proposals."[2]

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[1] In June of 1910, Senor Paredes, the Nicaraguan negotiating with Morgan, told Innes of his regret that the Carden plan had been broken off. "As he seemed to me evidently fishing for a possible intrigue against the American policy," Innes reported, "I thought it best to discourage him and told him that I had no doubt that, in view of the opposition of the American Minister, the bondholders were well advised." Innes to Mallet, June 5, 1910. In September, Consul Haggard wrote that in several conversations with President Dávila the Honduran had emphasized the unpopularity of the American proposal and had expressed regret that the Council had extended the agreement with Morgan. See Haggard to Grey, September 6, 1910, and minutes by Mallet and Grey. F. O. 371/837.

[2] Grey to Innes, November 29, 1910. F. O. 371/837.

Innes was reluctant to carry out his instructions. In his despatch of November 29th, he argued that any representations to the United States would be useless unless accompanied by a definite statement that the bondholders would withdraw from the Morgan arrangement if the interest were not paid.

> A mere attempt to induce the United States Government to intervene in an appeal ad misericordiam to Mr. Morgan could hardly be successful, even when accompanied by the threat contained in the last sentence of your telegram. It is too vague to be convincing and would be regarded by the United States as an attempt to "bluff" and the bluff would be "called."

Nor did Innes want to make a definite threat. He advised the Council to stick to their bargain, pointing out that they, as practical businessmen, must have been aware that neither Morgan nor the American government had been in any position to guarantee a settlement within a year. Even if a threat of withdrawal was made, Innes doubted that Morgan would be moved.

> Theoretically, no doubt, it may be reasonable that interest should be paid on the debt, but unfortunately, unlike good wine, the bonds of a defaulting creditor do not become more valuable by lapse of time, and there is no reason why more should be paid for them now than was offered a year ago.

From the viewpoint of Anglo-American relations Innes's position was sensible, but the American Department was by no means happy with his advice. Both Spicer and Sperling wanted Mallet to order Innes to make the representations, arguing

that the Foreign Office should be prepared to give the Council unofficial assistance if the bondholders wanted to resume independent negotiations with Honduras. Mallet agreed with his clerks "on the whole" and thought that Innes's despatch "might have been written by the U. S. Govt." But the arguments from the Embassy at Washington did have some effect as Mallet now backed down from the use of the "mild" threat, "not because it is bluff, but because, in spite of the Bondholders' truculence, I do not believe that they really want to get out of the agreement with Morgan's." As he instructed Innes:

> You should use your best endeavors, in a friendly and unofficial manner, to induce the U. S. Govt. to obtain for the British Bondholders the payment for which they are asking, but you may omit any mention of possibility of our being obliged to abandon attitude of neutrality, although, if compensation is refused & bondholders reject request for extension of time, it will be impossible to decline assistance in negotiating a separate arrangement. It was far from my intention to "bluff."
>
> If the US Gt. are indisposed to assist us, it will doubtless be easy for them to find reason for refusal but much will depend upon the manner in which the case is handled.

Evidently Innes handled the request in the correct manner, for on December 17th he reported that Wilson had promised to use his good offices with Morgan in behalf of the British bondholders.[1] The matter was far from settled, and

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[1] Innes to Grey, November 29, 1910, and minutes; Telegram 133, undated, to Innes; Innes to Grey, December 17th. F. O. 371/837.

only time would tell whether the "good offices" of the State Department would have any tangible results, but at least the Foreign Office had the small satisfaction of giving the Council of Foreign Bondholders some evidence of the government's concern for their interests in reply to their persistent complaints.

By the end of 1910 the American policy of "dollar diplomacy" had not brought about any basic change in the British attitude towards the acceptance of American predominance in the Caribbean. Despite his talk about arbitration and the defense of the open door, and contrary to the advice of some of his subordinates such as Carden and Sperling, Grey was still committed to a policy of salvaging the best terms possible as each occasion arose. As he noted in September, the small Central American republics "will never establish decent govt. themselves. They must succumb to some greater & better influence & it can only be that of the U. S. A."[1] And by any objective analysis, the United States had little cause for complaint over the cooperative attitude of the Foreign Office regarding both Nicaragua and Honduras. They had followed the lead of the State Department on recognition during the Nicaraguan revolution, and, while they had not forced the Council of Foreign Bondholders to accept the Morgan offer

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[1]Grey's minute to Tower's despatch of August 23, 1910. F. O. 371/928.

in Honduras, they had made it perfectly clear that they were not prepared to defend the British plan for a debt settlement negotiated by their own minister.

On the other hand, signs of a deteriorating situation were not lacking. The tone and style of the State Department under Taft and Knox was hardly conducive to smooth relations. American replies to British representations and inquiries had usually been vague and sometimes blunt to the point of insult. The American assumption that British interests were secondary to the grand policy of the United States was an understandable one, but it could have been accepted much more easily by the Foreign Office if the American administration had made any tactful effort to cooperate in return. Mesmerized by their own problems at home and in Central America in getting their policy accepted, the State Department merely assumed British acquiescence and seemingly gave little thought to the fact that the British government had pressures to cope with as well. The British decision to push for interest compensation for the Honduran bondholders and the strong protest in behalf of the Nicaraguan Planters Association both stemmed partly from British irritation at the rather cavalier attitude of the State Department rather than from any conviction as to the importance of the particular issues.

British irritation brought on by the onset of dollar diplomacy was accompanied by a growing contempt for the

abilities of Knox and his subordinates. The estimates of the Secretary of State and the State Department that arrived from Bryce and Innes were becoming increasingly unflattering. Knox "certainly shows less interest in his work than was to have been expected," Bryce wrote in March of 1910. "He is the bete noire of the whole diplomatic body, which continually asks why he was chosen for so important a post."[1] To Innes, the workings of the State Department seemed to prove the rule that a "weak administration" places excessive reliance on the advice of the legal department whose pronouncements are regarded as "oracular." The whole State Department outside its legal office was "very deficient in ability." Knox was "indolent" and the assistant secretaries of state were "none of them men of mark."[2] But perhaps the most scathing criticism came in a private letter from Bryce to Grey of March 28th:

> The trouble with the Secretary of State is that he is hopelessly ignorant of international politics and principles of policy, and is either too old or too lazy to apply his mind to the subject and try to learn. Nobody in his miserably organized department is competent to instruct or guide him. No country

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[1]Bryce to Grey, March 28, 1910. F. O. 414/218.

[2]Innes to Grey, October 25, 1910. F. O. 414/218. Innes was particularly critical of J. Reuben Clark, the Assistant Solicitor of the State Department, regarding a number of Latin American cases including the Honduran loan question. Innes thought Clark was able, but hampered by race prejudice in dealing with Latins.

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> but the U. S. could get on under such conditions. As President Taft said a few days ago Providence takes care of children, lunatics and the United States.[1]

Bryce certainly had no intention of encouraging the Foreign Office to take a more vigorous stand in defense of British interests in Latin America. His advice that complaints made by the Knox State Department are "of less consequence than they would have been if coming from men like Hay or Root" was made in connection with the Manchurian railroad imbroglio,[2] and the British Embassy in Washington continued to play the role of a counterweight to the advocates of a more active British policy in the Caribbean.[3] But the diplomats in Washington probably played an indirect part in the deterioration of Anglo-American relations. The British Foreign Office had never had a high regard for American diplomacy, but British representatives in Washington had never used such unflattering terms to describe Hay or Root.[4]

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[1]Bryce to Grey, private, March 28, 1910. Grey Papers, vol. 43.

[2]Bryce to Grey, private, March 15, 1910. Grey Papers, vol. 43.

[3]For an interesting comparison of their views on the seriousness of the American threat in Central America, see Carden's letter to Bryce of March 19th and Bryce's reply of April 15, 1910. Bryce Papers, USA 30.

[4]Root himself had a bad opinion of Huntington Wilson, the man who formulated Knox's Caribbean policy. Root considered Wilson "a person of the most dangerous character for diplomatic service--suspicious, egotistical and ready to take

The first two years of the Taft Administration were not significant because British interests of any magnitude were threatened by dollar diplomacy, but they were an important turning point in the attitude of the British towards the United States. No one in London doubted that Taft and Knox were friendly to Great Britain, but the President did not inspire the feelings of awe in the British that the "Rough Rider" had aroused, and the loss of respect for the State Department was accompanied by an inevitable decline of fear. The British were still very apprehensive of the dangers of alienating the United States, but the extreme fears brought on by the traumatic experiences of the Roosevelt days were waning. This new mood, combined with the growing irritation caused by "dollar diplomacy," paved the way for a more independent defense of British interests within the American sphere of influence.

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offense." Jessup, op. cit., I, 457. As for Knox himself, Root wrote in 1927 that he was "an awfully good fellow and very able," but he was "absolutely antipathetic to all Spanish-American modes of thought and feeling and action, and pretty much everything he did with them was like mixing a Seidlitz powder." Ibid., II, 250-51. However, as far as organization of the State Department, and in the appointment of representatives in Latin America, it should be pointed out that Knox and Wilson actually strengthened the department. See Munro, op. cit., p. 161.

CHAPTER VII

IN DEFENSE OF BRITISH INTERESTS

I. Canal Tolls and Mexican Revolutions

From the viewpoint of Anglo-American relations, the Panama Canal Act of 1912 and the Mexican revolution were the two most serious and troublesome issues to arise during Taft's presidency. The passage of the Canal Act by the American Congress caused the most serious crisis between the two countries since the Venezuelan blockade of 1902-1903, and the British decision to recognize the Mexican government of Victoriano Huerta in the spring of 1913 was an uncharacteristically independent move by the British government within the American sphere of influence. Neither problem stemmed from "dollar diplomacy" itself, but both illustrate the basic fact that there were limits to the British policy of deference to the United States in Latin America in cases where extensive British interests were in jeopardy.

British disillusionment with the United States over the canal tolls legislation can only be fully appreciated by considering the high hopes that were engendered by the proposed general arbitration treaty of 1911. Despite the

irritation caused by the onset of "dollar diplomacy" in 1909-1910, Anglo-American relations in 1911 seemed on the verge of a new era of cordiality. In 1908 the United States and Great Britain had signed an arbitration treaty, but, like all the Roosevelt-Root arbitration treaties, it did not apply to all cases affecting "the vital interests, the independence, or the honor" of the two countries or to those concerning the interests of third parties."[1] Such a treaty caused little excitement, but, when Taft became caught up in the peace movement in the United States and came out strongly in 1910 for true arbitration treaties that would broaden the scope of the former ones by removing the crippling exceptions, vistas of the millennium began to open up for the advocates of arbitration on both sides of the Atlantic.[2]

Sir Edward Grey and his Cabinet colleagues were more than ready to respond to the American initiatives in the winter of 1910-1911, and in the following negotiations the British pushed for a treaty as unlimited as possible.[3] Not only

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[1]For the text of the arbitration treaty of 1908, see U. S., Foreign Relations, 1908, pp. 382-84. Root negotiated twenty-five treaties of this type. See Jessup, op. cit., II, 79-81.

[2]For a discussion of Taft's role in the arbitration movement, see Henry F. Pringle, The Life and Times of William Howard Taft (New York, 1939), II, 736-55.

[3]The pertinent British documents are printed in F. O. 414/218, 414/225, and 414/220. There is considerable correspondence on the subject in the Bryce Papers, U.S.A. 2, 4,

would this have a beneficial effect on Anglo-American relations, but perhaps the idea might spread to the great powers of Europe and have a great effect on the armament race and what Grey called "the 'morale' of international politics."[1] The British regarded the treaty as a definite renunciation of war by the two countries as a means of settling disputes, and, although the language of the treaty as signed in August of 1911 was not all that the British had hoped for, it was sufficiently broad to justify great optimism.

The aim of the new treaty was to "provide means for the peaceful solution of all questions of difference which it shall in future be found impossible to settle by diplomacy." It was to apply to all cases "relating to international matters" in which the two countries "are concerned by

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22, 31, 32, 33. See also the Grey Papers, vol. 44, and the Cabinet reports to the King in the Asquith Papers, Dep. 6.

[1]After discussion with the Prime Minister, the Lord Chancellor and his other colleagues, Grey wrote to Bryce: "We are very anxious to have an arbitration treaty which will bear on the front of it an article stating that, however grave a dispute between the two countries may be, it shall be settled by arbitration, and not by war. The moral effect of such a statement would be considerable, and would, I think increase. Such an agreement is what ought to be made after Taft's speeches. The example would spread, and I am not without hope that one or more great European Powers would eventually make a similar agreement with us and the United States. When they did so, their action would have a real effect upon the expenditure on armaments and the 'morale' of international politics." Grey to Bryce, private, March 30, 1911. F. O. 414/225.

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virtue of a claim of right made by one against the other under treaty or otherwise, and which are justiciable in their nature by reason of being susceptible of decision by the application of the principles of law or equity." If the two could not agree on the "justiciable" nature of a particular case, a "Joint High Commission of Inquiry" would determine whether it fell within the scope of the treaty.

The British were even able to avoid any reference to the sacred Monroe Doctrine. During the negotiations Knox and his counsellor, Chandler Anderson, asked Bryce whether the doctrine was to be arbitrable. The British diplomat had no desire to open up this diplomatic Pandora's box. As he reported to Grey:

> I replied that any such question that might arise as in their view affected by the "Doctrine" would be a question between ourselves and some other American State--not the United States--and that we should doubtless be willing to arbitrate such a question with that State, which was all they had asked for in the Venezuela Case of 1895-96. They did not, however seem to be quite satisfied about this, and may possibly return again to the point.[1]

Bryce's fears were justified. Anderson's draft of the treaty excluded "questions of national policy," and the American explained to Bryce that "he was, as I had guessed, thinking of the Monroe Doctrine." Again Bryce objected to such a reference, "pointing out how superfluous it was at all

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[1]Bryce to Grey, private, April 11, 1911. F. O. 414/225.

events in the present treaty, and indeed with everybody but Germany, with whom there was little likelihood that any treaty as wide as ours would be made."[1] Although the British were still apprehensive of the Senate, Bryce's objections carried the day and the Monroe Doctrine and "questions of national policy" were not excepted in the final draft.[2]

Unfortunately for their high hopes, both the British and the Taft administration had underestimated the obstructive

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[1]Bryce to Grey, April 28, 1911. Grey Papers, vol. 44.

[2]See Grey to Bryce, private, May 11, 1911. Bryce Papers, U.S.A. 31.

In his anxiety to get the arbitration treaty, Grey never forgot British commercial interests in Latin America. During the negotiations Reid told Grey that attachment to the Monroe Doctrine in the United States was "still very strong . . . though people there were beginning to feel that it might have inconveniences if pressed too far." Reid was sure that the United States "would always adhere to it as far as Mexico and Central America were concerned, but they might no longer wish to assume responsibility for everything which might happen between their own territory and the South Pole." Grey assured him that any questions "with regard to countries in that region" that the British would have for arbitration "would be only commercial questions." Grey to Bryce, private, April 3, 1911. Bryce Papers, U.S.A. 31.

Latin American "commercial questions" were also the reason that Grey opposed excepting cases involving the interests of third parties as in the treaty of 1908. As he explained to Bryce: "It is not impossible that subjects of difference may arise with the United States Government in the Central American Republics in connection with British commercial interests. Cuban questions again might give rise to difficulties. In fact, the words are capable of an interpretation so far-reaching as seriously to impair the value of the treaty." Grey to Bryce, June 20, 1911. F. O. 414/225.

abilities of the American Senate. The British treaty and a similar one Taft had negotiated with the French were in for rough sledding from the loud and influential defenders of American independence of action. Although the Senate still had the right under the new treaty to accept or reject each specific agreement for arbitration, what effect would the decision of the joint commission have on the cherished powers of the Senators? Were such decisions binding and thus an infringement on the constitutional rights of the Senate? What of those repudiated bonds of some southern states in the hands of the British bondholders? And even if it were safe to have unlimited arbitration with Britain, could similar treaties be refused to other nations? And of course what of the Monroe Doctrine? Even Root, a friend of the treaty, wanted to except "any question which depends upon or involves the maintenance of the traditional attitude of the United States concerning American questions, or other purely governmental policy."[1]

In the spring of 1912 the Senate finally accepted the treaties but only after destroying their value in the eyes of both the administration and the European governments. The Senate excepted from the treaties immigration questions, the rights of aliens in educational institutions, any questions affecting the territorial integrity or the alleged indebtedness

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[1]For Root's views on the treaty, see Jessup, op. cit., II, 270-77.

of any state, and the Monroe Doctrine or "other purely governmental policy."[1] Although talk about new negotiations continued half-heartedly for a time, the movement for unlimited arbitration had come to an inglorious end. "The disappointment is too great to cause annoyance," Andrew Carnegie wrote to Ambassador Bryce, "or rather it falls like a heavy dull load of disaster which we must slowly surmount."[2]

But a greater disillusionment was yet to come for the advocates of arbitration. At the very time that the new arbitration treaty was being negotiated and discussed, a controversy between Britain and the United States was arising that would show how meaningless even the existing arbitration treaty was to the Americans. American plans to favor its own shipping in the Panama Canal were to be a sorry sequel to the high hopes aroused by the treaty of 1911.

The British government was of course fully aware of the central role that an American owned and operated canal played in American foreign policy. Their Conservative predecessors had to all intents and purposes renounced any political or strategic ambitions regarding a Central American canal in the Hay-Pauncefote Treaty of 1901, and the Foreign Office

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[1] Ibid., p. 276. See also H. A. L. Fisher, James Bryce (New York, 1927), II, 67-72.

[2] Carnegie to Bryce, September 2, 1911. Bryce Papers, U.S.A. 4.

under Grey scrupulously avoided any word or deed that could conceivably arouse American suspicions over this crucial subject.

Grey was able to state his position in unequivocal terms in July of 1908 when Sir Thomas Holdich called at the Foreign Office to discuss the scheme of a Chilean engineer to build a rival canal through Colombia. When Holdich pointed out that no serious backing for the plan could be found in English financial circles unless the Foreign Office supported it, he was told that the British government had no intention of promoting a scheme that would certainly injure Britain's good relations with the United States.

> It was pointed out to him that it was not the place of His Majesty's Government to interfere, or to prevent what may be regarded as a legitimate commercial enterprise from the point of view of Colombia, but, if any European Government were to take any action to promote a rival scheme to the Panama Canal, a very acute political character would be at once given to the whole question, and might possibly involve an invocation of the Monroe Doctrine on the part of the United States Government. His Majesty's Government would therefore, Sir T. Holdich was informed, be unable to promote or encourage the scheme in any way whatever. . . .[1]

Holdich disassociated himself from the plan, but to make sure that the wrong type of rumors did not reach Washington, Hardinge sent a private letter to Bryce telling the ambassador to mention to Roosevelt that the Foreign Office had

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[1]Grey to Townley, July 29, 1908. See also Townley to Grey, May 29th. F. O. 420/247.

refused to encourage the interested British group as they were "well aware" of the "enormous importance" attached to the canal by the American government.[1]

Nor did the British want to enter into any discussion about the American plans to fortify the vital waterway that were reported in 1911. One of the major American objections to the abortive Hay-Pauncefote Treaty of 1900 had been its restrictions against fortifications, and the Treaty of 1901 had said nothing on the subject. By implication the British had waived the point, and research by the Foreign Office in 1911 could find nothing in the records to indicate that there had been any understanding to bar such fortifications by the negotiators a decade before.

In any event, the Foreign Office wanted nothing more than to avoid the whole subject.[2] "We must avoid if possible being entangled in any discussion of the Treaty rights," Grey cautioned. According to the Foreign Secretary's analysis, the question had little importance. As the United States would certainly build a fleet in the future strong enough "to master any naval force which can be sent across either the

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[1]*Hardinge to Bryce, private, October 23, 1908. Bryce Papers, U.S.A. 27.*

[2]*Bryce to Grey, January 18 and 30, 1911; Bryce's of February 27th and minutes by Mallet, Spicer and Grey; Claude Mallet to Grey, March 28th and minutes. F. O. 371/1176.*

Atlantic or Pacific oceans to attack them," the money to be spent on fortifications would actually be wasted.[1]

The strategists in the Admiralty had no objections to silence on the subject either. In 1901 their predecessors had pointed out that regardless of fortifications the real control of the canal would remain with that country which could place the strongest fleet at its entrances. Since 1901 the Americans had so strengthened their navy that it would be "almost impossible" for the British to command the sea in the area of the canal "unless the neutrality or friendliness of European nations were absolutely assured." In addition, the United States now had a "perpetual lease" of the site of the canal which gave her "an even more complete control over its workings than was allowed for in 1901." Thus it was obvious that the Americans could, in time of war, "forbid the use of the canal to any enemy, including ourselves, even without fortifications." Perhaps the fortifications would even be of benefit to Britain.

> If we are ourselves at war with the United States we cannot expect to be able to use the canal in any case, and in the event of war under any other conditions the fortifications may assist the United States in preventing damage to or obstruction of the canal by either belligerent, and to that extent they may be useful to the world in general and to us in particular as the

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[1]Grey's minute to Bryce's of February 27, 1911. F. O. 371/1176.

greatest users of the canal.[1]

When the matter of the canal fortifications was raised in 1911, it was the United States rather than Britain that broached the subject. During the negotiations for the arbitration treaty of 1911, Knox asked for a formal statement of the British attitude towards fortifications that he could use when the treaty went to the Senate. Despite their feelings on the matter, the British were reluctant. One "rider" on the treaty might lead to others, and Grey argued that it was "impossible for me to bind a future Government not to raise the question in the event of difficulties." But when Knox continued to insist, Grey allowed Bryce to send a note stating that in the British government's opinion the Treaty of 1901 did not bar American fortifications.[2]

But if neither the British statesmen nor the admirals wanted to discuss British treaty rights regarding fortifications, it was obvious from the beginning that the Foreign Office was prepared to fight tenaciously for the principle of equality with the United States in the use of the canal. Strategic considerations in Central America may have been a thing

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[1]F. O. to Admiralty, March 31, 1911; and Admiralty to F. O., May 23rd. F. O. 371/1176.

[2]See Bryce to Grey, May 22, 1911; Grey to Bryce, May 23rd; Bryce to Grey, June 9th; Grey to Bryce, June 21st; Bryce to Grey, June 26th and answer of June 27th; Grey to Bryce, July 5th; Bryce to Grey of August 14th and enclosures. F. O. 414/225.

of the past, but the effects of the administration of the canal on British commercial and shipping interests was another matter entirely.

Even before the tolls controversy of the Taft administration, the British had demonstrated that they would be extremely touchy over the possibility of discrimination. The issue first arose in 1907 when Bryce caught wind of the negotiations that the State Department had started with Panama and Colombia for treaties between the three countries.[1] The British feared that the United States was planning to give concessions to Colombia in violation of the British treaty in order to regularize the American position in the isthmus. Commercial privileges to Colombia would have been no great danger to British interests, but both the Foreign Office and the Board of Trade were afraid of the precedent that would result. Bryce was unable to get much precise information on the treaties from Root, and in the fall of 1908 the British told the State Department that they could not consent to "any departure" from the Hay-Pauncefote Treaty, "which arrangement represents the extreme limit to which His Majesty's Government can go in amendment of the terms of the Clayton-Bulwer Treaty."[2]

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[1]The British documents relating to the treaties are in F. O. 414/195, 414/202, 371/708, and 420/254. For Root's diplomacy, see Jessup, op. cit., I, 521-27.

[2]Grey to Bryce, October 7, 1908. F. O. 414/202.

Even when the British learned for the first time early in 1909 that the American-Colombian treaty was to give free passage of the canal only to Colombian warships, they were still disturbed. Despite Root's arguments that the concession did not violate the rule of non-discrimination, the Foreign Office decided to draw up a formal protest. As Grey told Reid on January 11, 1909, the matter was "academic," but "the precedent was inconvenient," and the British had "to show by a protest that they do not countenance it."[1] Although Root never admitted that the concession was a treaty violation in what Bryce called his "eloquent and at times almost pathetic" arguments, the Foreign Office did decide to drop the protest when the Americans promised a formal assurance that the United States would agree that the case could not become a precedent.[2]

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[1]Grey to Bryce, January 15, 1909. F. O. 371/708.

[2]See Memorandum from U. S. Embassy, January 20, 1909; Hardinge memorandum of January 19th and minutes; Bryce to Grey of January 15th; Bryce to Grey of January 16th, with copy of Root to Bryce of January 16th, and minutes. F. O. 371/708.

Root antagonized the Foreign Office by signing the Colombian treaty at the same time that he sent his first memorandum to the British, leaving them no opportunity to arrive at a previous understanding. But Root was "quite apologetic as to the manner of the signing, and made the 'amend honorable,'" and the Foreign Office was impressed by Bryce's argument that both Root and Roosevelt had been "so exceptionally reasonable & friendly in all their diplomatic dealings with us that it would be graceful for us to do our best . . . to part from them on cordial terms." Bryce to Grey, private, January 14, 1909. Grey Papers, vol. 43.

There was some talk of trying to obtain a quid pro quo from the United States, for, as Mallet put it, "if the

The issue became truly academic when Colombia refused to ratify either of her two treaties with the United States and Panama. But if all of Root's labors on the "tripartite treaties" had been in vain, the British reaction to them had made it clear that they were determined to safeguard the principle of equality in the Hay-Pauncefote Treaty. Perhaps a formal protest in 1909 would have helped to avoid a diplomatic row later, for if the British had publicly objected to an insignificant concession to Colombian warships, their reaction to the very unacademic question of discrimination in favor of American shipping could have been foreseen.

The Foreign Office of course was well aware of the discussions in favor of some special treatment for American shipping that were becoming more and more widespread in the American press and Congress. The wording of the Hay-Pauncefote Treaty seemed unequivocally opposed to discrimination. According to Article three:

> The Canal shall be free and open to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens

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case were reversed, they would bleed us." But none of the suggestions seemed practicable and the Foreign Office contented themselves with a request that the United States use its good offices with Colombia for the payment of British claims. Minutes by Mallet and Larcom to Bryce's of January 12th. F. O. 371/708. Bacon's note of February 20th, Bryce's reply of February 24th, and the text of the Tripartite Treaties are printed in U. S., Foreign Relations, 1909, pp. 290-94, 223-33.

> or subjects, in respect of the conditions or charges of traffic, or otherwise. Such conditions and charges of traffic shall be just and equitable.

But by 1911 it was obvious that many Americans were beginning to interpret the treaty in ways that would justify the exemption of American ships from the general rule of equality.

In the fall of 1911, a memorandum by Edmond Ovey, the Second Secretary in the Washington Embassy, touched off the first serious discussion by the Foreign Office of this disquieting development. Ovey grouped the various proposals and suggestions on canal tolls that were being put forward in the United States into four classes: 1) free passage for all American ships through the canal, 2) free passage for American ships engaged in the coastal trade, 3) the use of bounties or subsidies to American ships using the canal, 4) the refunding of tolls paid by American ships.[1]

Obviously American legal ingenuity was at work. Were any of these proposals compatible with the Treaty of 1901? Algernon Law of the Commercial Department of the Foreign Office and William Davidson, the Foreign Office's legal advisor, both believed that all of the four classes would violate the treaty. On the other hand, the Board of Trade doubted that any objections could be made to either subsidies or refunds, while agreeing that any exemptions were "clearly repugnant"

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[1]Bryce to Grey, September 20, 1911, with Ovey's memorandum. F. O. 368/562.

to the treaty.[1] It was clearly a case for the Law Officers of the Crown.

On March 19, 1912, the Law Officers sent the Foreign Office an opinion that was to become the "official" view of the British government. In principle, the Law Officers argued, there was no difference between exemptions of tolls and refunds and both would violate the treaty. Subsidies based on the use of the canal would "stand self-confessed as a colourable attempt to avoid the obligations of the treaty." The exemption of the American coastwise trade was "a more difficult question" for only American ships could engage in this trade.

> If the trade could be so regulated as to make it certain that only traffic which under United States law is reserved for United States vessels would be benefited by the exemption, it is not easy to see upon what ground objection could be taken. But it appears to us that this proposal may be combated on the ground that it would be impossible to frame regulations which would prevent the exemption from resulting, in fact, in a preference to United States shipping and consequently in an infraction of the treaty.[2]

While the British government was preparing a case to be used if needed, pressure for some action to head off discrimination began to build up at home. Questions were asked in Parliament, and inquiries and memorials from interested

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[1]Law's minutes to Ovey's memorandum, and Davidson's minute to Bryce to Grey, November 13, 1911. F. O. 368/562. Board of Trade to F. O., November 11th. F. O. 420/254.

[2]Law Officers to F. O., March 19, 1912. F. O. 420/256.

groups and organizations began to arrive at the Foreign Office.[1] If any of the American proposals became law, it was clear that the government's reaction would have to be a vigorous one. For a government pledged to Anglo-American friendship the outlook was not encouraging.

News from across the Atlantic became increasingly gloomy. Taft's conversion to preferential treatment was particularly disturbing. In his message to Congress of December 21, 1911, the American President fell in line with the advocates of discrimination. Taft was "very confident" that his country had "the power to relieve from the payment of tolls any part of our shipping that Congress deems wise." "We own the canal," he trumpeted forth to the world. "It was our money that built it." Taft was in favor of subsidies rather than exemptions at this point, but enough had been said to show that the Chief Executive had no intention of taking an unpopular stand at home to uphold international obligations.[2]

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[1]During 1912 protests and inquiries were received at the Foreign Office from the Chamber of Shipping of the United Kingdom, the London Chamber of Commerce, the Newcastle and Gateshead Chamber of Commerce, the British Imperial Chamber of Commerce, the Canadian Chamber of Commerce, the Royal Steam Packet Company, the Department of Trade and Commerce in Ottawa, and the governments of Australia and the Union of South Africa.

[2]U. S., Foreign Relations, 1912, p. 468; Bryce to Grey, December 26, 1911. F. O. 420/256. See also Pringle, op. cit., pp. 648-49.

When the House of Representatives passed a bill exempting the American coastal shipping, the Foreign Office was forced to take a stand. Prodded by the Board of Trade, Grey decided that some action had to be taken before the bill became law. Early in July he ordered Innes to adopt the Law Officers' opinions as those of the British government and to try to get further consideration of the bill postponed. On July 8th, Innes launched "H. M. G.'s thunderbolt" in a note to Knox, and the following week Grey elaborated on the British views in a long discussion with Ambassador Reid.[1]

The British strategy was based on the hope that their views would contribute to the demise of the bill or the deletion of the objectionable features. Grey wanted to propose arbitration "only in the last resort."[2] The Foreign Office's main worry at this point was that the United States would not take their representations seriously enough. Innes wanted to return to the summer embassy in Maine, but, much to his disgust, he was ordered to remain in the heat of Washington in order to watch the progress of the bill, "and incidentally to

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[1]Board of Trade to F. O., July 1, 1912; Innes to Grey, July 4th; Grey to Innes, July 4th; Grey to Innes, July 6th; Grey to Innes, July 15th. F. O. 420/256. Innes to Bryce, July 11th. Bryce Papers, U.S.A. 33; U. S., Foreign Relations, 1912, pp. 469-71.

Innes was in charge of the British Embassy from May 2 to September 12, 1912.

[2]Grey to Innes, July 14, 1912, F. O. 420/256.

make it clear that the protest of His Majesty's Government is serious, as there may be some misapprehension of this point."[1]

Unlike his superiors at the Foreign Office, Innes was sympathetic to the American position and wanted some compromise that would safeguard Anglo-American relations. Although he thought that Britain's treaty rights were undeniable, he wanted authorization to tell Knox that the British government resented the violation of the treaty but that they did not want to take an extreme view and would acquiesce in the exemption of coastwise vessels in return for regulations that would minimize its discriminating effects.

> If we are unwilling to concede anything to their sentiment they will only exercise their ingenuity in evading the treaty in such a way that we cannot interfere, and should get odium in trying to stop them from doing what they believe themselves equitably entitled to do. While, if we abandon something of our extreme technical rights, they would be grateful for our friendliness, and in the

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[1]Grey to Innes, July 30, 1912. The Foreign Office was disturbed by the report of the correspondent of the Morning Post of July 29th that the Senate had "not taken any inclination to take the very mild British note seriously. In fact, the question is asked in official circles today whether the Note, which has been by courtesy called a protest but is as colourless as a young girl's invitation to tea, was ever intended to be taken seriously or whether it was made for effect in the hope of satisfying Canada and the other Dominions." As the British Embassy had made its customary summer move to Kineo, Maine, in mid-June, the Government was also questioned in Parliament over the sending of the note from "a distant seaside resort in Maine." Innes assured Grey that the responsible people in Washington had no doubts as to the note's seriousness, but he was still ordered to remain. Innes to Grey, August 2nd; Grey to Innes, August 5th. F. O. 368/705. Great Britain, The Parliamentary Debates (Commons), XLI (1912), 411-12.

end we should lose nothing substantial.

Grey's answer was brief and pointed. Innes was to refrain from discussing such matters with Knox "or anyone else." Innes hewed to the official British line in his talk with Knox on July 27th, but he was still disturbed.[1] "The Americans feel they have laid a wonderful egg," he warned the Foreign Office a few days later, "and they want no one to interfere with the mothering of the chicken." Innes was also bothered by the fact that Taft's Cabinet, "chiefly composed of high-class barristers," was unanimously opposed to the British position. Rather than to risk their rights, would it not be better for the British "to abandon" their position as regards the United States in return for some agreement that would ensure a moderate rate on the tolls?[2]

Grey did not reject the idea of a tolls agreement as a possibility for the future, but nothing was ever done along these lines. As the Board of Trade argued, some such arrangement might ultimately prove desirable and could not be left

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[1]Innes to Grey, private, July 16, 1912; Grey to Innes, unnumbered, July 17th. F. O. 368/704. Innes to Grey, July 27th, and despatch of July 31st. F. O. 420/256.

[2]Innes to Grey, July 31, 1912. F. O. 420/256. Innes wrote: "My idea would be something as follows: a maximum tariff should be fixed by agreement, and whenever the revenues, including the sums payable by the United States on behalf of their ships at the same rate as foreign ships, should exceed a figure sufficient to cover the expenses of maintenance plus 3 per cent. on the capital outlay, the tolls should be reduced accordingly."

out of account, but at the time any suggestion by the British of a withdrawal from their treaty rights would be a tactical mistake.[1] The British were convinced that their case was a strong one, and they had no intention of compromise until all other possibilities were exhausted.

There were some encouraging signs in the reports from Washington. The British note had aroused little Anglophobia in the American press, much to the relief of Innes who had feared they would "indulge in the 'tail-twisting' which has in former years been a favorite pastime with the Americans." Indeed the greater part of the "best papers" were on the British side. Public opinion was about equally divided, and the discussions in the Senate were friendly.[2] The administration

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[1]F. O. to Board of Trade, August 16, 1912; Board of Trade to F. O., September 3rd. F. O. 420/256. Algernon Law of the Commercial Department also thought an agreement might be desirable in the future: "The notion of the form of compromise here suggested is one which must have occurred to everyone who has thoughts on the subject. If we cd get a dollar a ton due, there wd be a good deal to say in its favour, provided that exemption was restricted to the coasting trade only." Minute to Innes's of July 31st. F. O. 368/705.

[2]Innes to Grey, July 22, 1912. F. O. 420/256. Innes was unhappy over Knox's handling of his semi-official letter of July 8th asking for a delay in the consideration of the bill, but the publicity had "at least had the good effect of showing how far American sentiment has advanced in friendliness in the last few years." But as was usual with British diplomats, Innes added some qualifications: "Not that we can assume that hostility to England has disappeared, or that we could count on American co-operation in crisis--by no means. Just as the anti-French feeling in England persisted among the lower classes long after the educated had come to a more

continued to assert Taft's position that the United States was free to treat its shipping as they saw fit, but Knox did arouse some hope in London when he told Innes that the administration was opposed to the pending bill for "practical reasons" and preferred a purely administrative law at that stage.[1]

However, when the bill cleared the Senate and the conference committee in August, it not only retained the exemption for coastwise vessels, but also gave the President the power to discriminate in the setting of tolls on all American ships.[2] Pessimism now pervaded the Foreign Office. Was there any hope that Taft would veto the bill in an election year, particularly when both Roosevelt and Wilson were on record as favoring exemption?[3] In actual fact the President

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reasonable frame of mind, so here the increase of the friendliness so noticeable among the 'better classes' has not yet penetrated to the working classes, or at least among them lags far behind."

[1]Innes to Grey, July 27 and 31, 1912. F. O. 420/256. Grey told Reid on July 30th that the British would not complain if an administrative bill were to be passed that would give the two countries time for discussion about tolls.

[2]The act gave the President the power to fix tolls within certain limits: American coastwise shipping was exempted, and the tolls were not to exceed $1.25 per net registered ton, nor be less, "other than for vessels of the United States and its citizens," than the estimated proportionate cost of maintenance and operations of the canal. There were also some exemptions for the Republic of Panama. See U. S., Foreign Relations, 1912, pp. 471-75.

[3]Law's minute to Innes to Grey, August 15, 1912. F. O. 368/705.

was undecided but, after an unsuccessful attempt to get an amendment passed by Congress that would allow foreign shippers to appeal their rights to the Supreme Court, he signed the bill on August 24th and accompanied it with a long memorandum defending it.[1] Although, as Innes put it, Taft had chosen "a somewhat unusual way" to reply to a diplomatic note, the British accepted the memorandum as the official expression of the American government's opinion. In a note of August 27th, the British stated that they still maintained their expressed views, and that a further communication would be made after a study of the act and Taft's memorandum.[2]

How did Taft defend the new law? How could the rule of equality in the Hay-Pauncefote Treaty be interpreted in a way that it would not affect American ships? Taft argued that the rules of the treaty had been adopted by the United States

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[1]Innes urged Taft to veto the bill, and thought the President's indecision a good example of "that spirit of 'wobbling' of which he is always being accused by friends as well as enemies." Taft's idea of using the Supreme Court was animated by good motives but was "thoroughly objectionable." Innes believed that the strong tone of conviction in Taft's memorandum was largely due to the influence of Secretary of War, Henry L. Stimson, who was opposed to exemptions but was happy with the administrative features of the bill. Innes to Grey, August 17, 19, 21, and 27; and Grey to Innes, August 22nd. F. O. 420/256. See also Pringle, William Howard Taft, pp. 650-51.

[2]Grey to Innes, August 19, 1912; Innes to Grey, August 25th and 29th. The text of Taft's memorandum was sent in Innes' despatch of August 27th, F. O. 420/256, and is printed in U. S., Foreign Relations, 1912, pp. 475-80.

for the sole specific purpose of providing a basis for the neutralization of the canal, and they were not intended to limit the power of the United States "to deal with its own commerce, using its own canal in whatsoever manner it saw fit." The article forbidding discrimination was an American declaration of policy that the canal would be neutral and that the commerce of all nations observing the rules adopted by the United States would be treated alike.

> In other words, it was a conditional most-favored-nation treatment, the measure of which, in the absence of express stipulation to that effect, is not what the country gives its own nationals, but the treatment it extends to other nations.

Taft scored his best point in connection with the British argument that there was no difference between exemptions and refunds. If this was true, the treaty would restrict the United States from aiding its commerce in a way that other nations could. If other nations could extend favors to their shipping, the British protest would lead to the "absurd conclusion" that the United States had signed away a right by the treaty that other nations retained. Thus the United States would be discriminating against itself!

What of the particular law in question? It only favored coastal shipping, and even the British "seem to recognize a distinction" between this and vessels engaged in foreign trade. The law "seems" to give the President the right to favor ships in the latter category, but, as it did not compel

him to do so, there was no need to discuss this unless he used his power to extend such favors. The exemption of ships in the coastal trade was really a government subsidy to encourage competition with America's transcontinental railroads.

Was Taft arguing that the United States had the right to exempt all American shipping from the payment of tolls? In a conversation with the President on October 4th, Bryce bluntly pointed out that his arguments on subsidies could go to that length.

> He admitted this, and added he thought the United States had a perfect right to exempt all their vessels, because the Canal was now theirs and the provision for equal tolls was only meant to prevent discrimination between the vessels of different foreign states. I traversed this contention, and asked whether he read the words "all nations" in the treaty as being equivalent to "all nations other than the United States." He replied this was the way he read the words. I expressed astonishment. . . .[1]

The next step was up to the British. Grey found Taft's view of the Hay-Pauncefote Treaty "quite outrageous," but what could be done? The arbitration treaty of 1908 was still in effect and it specifically referred to differences "relating to the interpretation of treaties." But would the United States agree to arbitrate? "If they refuse arbitration in such a point," he wrote Bryce, "it will put back the cause of arbitration 100 years. . . . It is a very serious prospect."[2]

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[1]Bryce to Grey, October 5, 1912. F. O. 420/256.

[2]Grey to Bryce, private, September 8, 1912. Bryce Papers, U.S.A. 33.

Grey was far from pessimistic in his doubts. Some "leading senators" told Innes that the Senate would probably refuse to arbitrate under the 1908 treaty until the British could complain of some overt act of discrimination, and by then the treaty would have expired. After expressing "some surprise" that the British were taking "so serious a view of these points," Taft assured Bryce that he personally would be the "last man in the world" to refuse arbitration, but the President also thought it probable that the Senate would refuse, perhaps on the grounds that canal tolls were a "vital interest" of the United States.[1]

Although neither arbitration nor a reconsideration of the law in the coming session of Congress seemed likely, an answer to the Americans was imperative. Grey and Bryce agreed that the best time to reply would be after the American presidential election in November but before the new session of Congress in December.[2] Thus the British had ample time to

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[1]Innes to Grey, August 28, 1912; Bryce to Grey, October 5th and September 20th. F. O. 420/256. See also H. A. L. Fisher, op. cit., pp. 72-74.

As late as 1914, while backing Wilson's repeal bill, Root said he was in favor of arbitration but admitted that the debates had shown the Senate would not consent to arbitration. "We are for this repeal first and chiefly because we cannot arbitrate it," Root said, "and to refuse to arbitrate it would be discredit and dishonor for our country." Jessup, op. cit., II, 267-68.

[2]Grey to Bryce, private, September 8, 1912. Bryce Papers, U.S.A. 33; Bryce to Grey, September 20th and October 29th. F. O. 420/256.

consider the type of answer that would have maximum effect in the United States. In October the Cabinet agreed to refer the drafting of the reply to a five-man committee of the Cabinet headed by the Foreign Secretary. Grey in turn instructed Cecil J. B. Hurst, the Foreign Office's Assistant Legal Advisor, to draw up a proposed draft. The Cabinet again fully discussed the matter on November 13th and 14th.[1] Hurst's draft was then sent to Bryce, and, after getting permission to make some changes, the Ambassador presented it to the State Department on December 9th.[2]

The first goal of Grey's note was a defense of the basic rule of equality in the treaty of 1901. According to Grey, the true interpretation of the Hay-Pauncefote Treaty derived from the fact that it was a "corollary" of the Clayton-Bulwer Treaty of 1850. The treaty of 1901 had "superceded" the earlier one, but it had not impaired the general principle of equal treatment that had been the object of the pact of 1850. In 1901 the United States had regained its freedom to construct a canal alone, but she was still limited by the principle of equality. This principle was repeated in the Hay-

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[1]See the Prime Minister's Cabinet reports to the King for October and November, Asquith Papers, Dep 6, and Spicer's minute in 45945, F. O. 371/1418.

[2]The original note is Grey to Bryce, November 14, 1912. F. O. 420/256. It is printed in its final form of December 9th in U. S., Foreign Relations, 1912, pp. 481-89.

Pauncefote Treaty, and the meaning of "neutralization" as used there implied American subjection to the system of equal rights and was not confined to belligerent operations. If the rules of the Hay-Pauncefote Treaty gave Britain only most-favoured-nation treatment, "the value of the consideration given for superceding the Clayton-Bulwer Treaty is not apparent to His Majesty's Government."

In addition to the rule of equality, it was necessary to consider the provision that tolls must be "just and equitable." Unless all vessels paid tolls, a fair rate based on the expenses of the canal could not be determined, and there would be no guarantee that the other ships would not pay more than their fair share. Therefore, "any system by which particular vessels or classes of vessels were exempted from the payment of tolls" would violate the treaty. The United States had the right to subsidize its shipping as long as the method chosen did not result in an unfair burden on others or any discrimination in the use of the canal. The exemption from the payment of tolls of certain classes of American ships would be a form of subsidy in violation of the treaty.[1]

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[1]Hurst's original draft specifically admitted the right of the United States to make refunds out of its general revenues as long as they were not regarded as part of the expenses of the canal. Following an opinion of Lord Haldane, the Lord Chancellor, Hurst stated that the United States could treat the tolls as part of its general revenue and could use such money for grants or subsidies to ships that have paid

Grey then proceeded to apply the two basic principles to the Canal Act, with the obvious conclusion that both the exemption to coastwise vessels and the power given to the President to fix lower rates for other American ships were infractions of the British treaty rights. The absence of foreign competition in the American coastwise trade did not alter the situation. Other nations would still be injured by the shifting of the whole burden of upkeep of the canal on to the ships engaged in foreign trade, and by the fact that coastwise trade could not be "circumscribed" in such a manner as to prevent such vessels from benefiting at the expense of others. Any such adverse results would of course be felt by the British merchant marine more than by any other nation's. The British government realized that "many persons of note" in the United States did not agree with their interpretation. Therefore if the United States preferred arbitration, Britain was ready to do so, but arbitration would not be necessary if

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the tolls as long as the payment went into the accounts of the canal. This part of Hurst's draft was deleted when Bryce pointed out that such American defenders of the British position as Senators Root and Burton would be embarrassed if the British took a narrower view of their rights than the Americans themselves had in their arguments against the bill. Bryce to Grey, November 27, 1912; Grey to Bryce, November 28, 1912. F. O. 420/256. Although Haldane had opposed the Law Officers' views on refunds, he had also suggested that all points be referred to the Hague so that the tribunal would have something to decide against Britain as such courts usually did not decide every point in favor of one country! See his memorandum of September 30, 1912. F. O. 420/256.

Congress amended the Canal Act and removed the objectionable features.

The British note of December 9th was a powerful and well-constructed defense of their interpretation of the canal treaty, but at the same time it was not bellicose. Considering the feelings of outrage felt in England against the action of the American Congress, it is little wonder that Knox seemed "to be a little relieved" that the note's "tone was so moderate" when it was read to him by Ambassador Bryce.[1] The moderation of the note of course was not intended as a means of relieving Knox's anxieties; it resulted from the fact that the British were aiming primarily at American public opinion. As Hurst explained his draft:

> The desire being that the dispute should be terminated by a spontaneous amendment of the law of Congress rather than by arbitration, I have borne in mind the conversation I had with Admiral Stockton and his view that there was a good chance of the law being altered if the British protest did not lead the jingo party and the yellow press to raise a clamour which would prevent the moderate section of the public in the United States from making itself heard.[2]

The British strategy of swaying the administration and Congress by an "enlightened" American public opinion had no immediate results. When Bryce asked the President to urge Congress to reconsider the canal law, the President declined.[3]

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[1]Bryce to Grey, December 11, 1912. F. O. 420/256.

[2]Hurst's memorandum in 47324, F. O. 371/1418.

[3]Bryce to Grey, November 27, 1912; Grey to Bryce,

Taft did suggest the possibility of referring the dispute to a joint Anglo-American commission such as that used in the Alaskan boundary controversy, but the British wanted nothing to do with such an arrangement.[1] On January 9, 1913, Grey instructed Bryce to tell Taft that the British "would much prefer" a diplomatic settlement or a modification of the canal act, but if a solution was not reached Britain wanted to use the existing arbitration treaty and refer the matter to the Hague Court, "seeing that the point to be decided is legal, is specially provided for in the treaty, and eminently suitable for settlement by that tribunal."[2]

In his reply of January 13th to the British protests of July and December of 1912, Knox attempted to dismiss the matter on the grounds that there was nothing as yet to arbitrate. The Canal Act of 1912 had not set the tolls, and Taft's proclamation of November 13th setting the rates had not discriminated in favor of American ships engaged in foreign

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November 28th. F. O. 420/256.

[1]Bryce to Grey, December 11, 1912. F. O. 420/256.

[2]Bryce to Grey, October 5, 1912; Minutes to Bryce's of December 19th; Grey to Bryce, January 9, 1913. F. O. 371/1418 and 1419. The British were quite aware of the virtual certainty of victory before an arbitral tribunal composed of interested powers. As a Foreign Office clerk noted after reading a despatch on the reaction of the German press: "We shall have to look to Switzerland or Bolivia for an umpire if this question ever goes to arbitration." Sperling's minute to Granville to Grey, September 4, 1912. F. O. 371/1418.

trade. Thus any discussion of American obligations under the Hay-Pauncefote Treaty would have to wait until the British could complain of a concrete injury. As for the coastal trade exemption, Knox claimed that the British had conceded that such exemptions might not violate the treaty, and he ignored the elaborate British arguments against them.

An impasse had been reached. On February 27th, the British denied that it was necessary under international law to wait for an actual infringement of a treaty before complaining about a law that had violated it, and they still insisted that it was a suitable case for the arbitration treaty of 1908.[1] In actual fact, the British had long given up any hope for a settlement with the lame-duck Taft administration. All eyes were now on Woodrow Wilson.[2] There were already

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[1]For Taft's proclamation on tolls of November 13, 1912, see U. S., Foreign Relations, 1912, p. 481. The notes of January 17th and February 27th are in Ibid., 1913, pp. 540-49.

[2]Bryce had high hopes for the Wilson administration. In November he wrote King George that the President-elect's "attitude in foreign affairs may be expected to be pacific, and his sentiments towards Great Britain in particular have been, and are likely to continue, altogether friendly." And in December he told the Foreign Office of his belief that there was a better chance for arbitration under Wilson than Taft. Bryce delayed his resignation on the hope that a speedy settlement could be reached as he was aware that Wilson was changing his position on tolls. For example, on January 27th Charles W. Eliot wrote the British Ambassador that Wilson was "very sound" on canal tolls and "wishes the best things; and if the best is not achieved it will not be his fault, but his party's." For domestic reasons the

signs that Wilson would be more receptive to the British position than his predecessor, but, when Taft left the White House in March of 1913, Anglo-American relations were more strained than they had been in over a decade.

Before Wilson could bring the Panama Canal tolls controversy to an end in the summer of 1914, Anglo-American relations were to deteriorate further over the policies of the two countries in Mexico. In this case the American government was to be the outraged complainant, and while there were no serious differences between Britain and the United States in Mexico during the Taft years, the seeds were planted then that were later to sprout into a diplomatic briar-patch.

American administration was unwilling to move in 1913, and Bryce was unsuccessful in his approaches to both Wilson and Bryan. However, before Bryce left Washington in April of 1913, the British were already aware of Wilson's plans. As Bryce wrote on April 29th: "My conversation with the President was exactly what had been expected: he said nothing that committed himself, and I gathered that this was because he wished to be able to say truthfully if interrogated by his own people that he had not committed himself, but he practically conveyed to me that he himself meant to do his best towards an honourable settlement, satisfactory to us, of the Tolls question, and I thought nothing would be gained by further pressure and divining, as I thought his [sic] conveyed to him what we expected of him, and had from him a tacit admission, but not such an admission that it would be fair hereafter to press him with." Bryce to King George, November 7, 1912. Bryce Papers, U.S.A. 33; Bryce to Grey, December 19, 1912. F. O. 420/256; Grey to Bryce, private, January 24, 1913, and Bryce to Spring-Rice, February 14th. Bryce Papers, U.S.A.33; C. W. Eliot to Bryce, January 27th, and Bryce to Eliot, January 30th. Bryce Papers, U.S.A. 1 & 2; Bryce to W. J. Bryan, April 16th, and Bryce to Grey, April 29th (marked "not sent"). Bryce Papers, U.S.A. 33. See also: Arthur S. Link, Wilson, the New Freedom (Princeton, 1956), pp. 306-307.

The era of Britain's economic and financial predominance in Mexico had long passed by 1910, but even a brief glance at the extent of British interests there indicates why British policy towards Mexico was somewhat different than her reaction to the affairs of the small countries of Central America and the Caribbean. In 1909, while writing about the impossibility of any British support of the unstable little republics of Central America, Grey noted: "With a country like Mexico it is a different matter. Mexico steers an independent course."[1] And the Foreign Secretary could have added that British economic interests in Mexico were enormous in comparison with those in neighboring Latin American states.

Although Britain's 14% share of the export trade to Mexico in 1910 was a poor second to the lion's share controlled by the United States, it still amounted to about £2,500,000 a year.[2] But Britain's greatest economic interest there was in investments, with a total sum probably between 75 and 100 million pounds invested primarily in railroads, government bonds, public utilities, mining and real estate.[3]

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[1]Grey's minute to Chalkley's of October 30, 1909. F. O. 371/708.

[2]Alfred P. Tischendorf, op. cit., p. 139. The Board of Trade put the value of British exports for 1910 at £2,580,677. Parliamentary Papers, CD 7585 (LXXXIII). See also Ronald Macleay's Annual Report on Mexico for 1909 in Tower to Grey, January 6, 1910. F. O. 371/926.

[3]The South American Journal placed British investments

1909 and 1910 also saw the formation of Wheetman Pearson's Mexican Eagle Oil Company in which that most influential of all English capitalists in Mexico consolidated his vast petroleum interests.[1]

To many, Mexico seemed like a rock of stability in an otherwise unstable area. Diplomatic relations were untroubled, concessions to investors were liberal, and the only complaint that British representatives on the scene had was the slowness with which British investors responded to the oft-stated Mexican desire to use British capital "as a counter-poise to the ever-increasing influx of American capital." In his Annual Report of 1909 on Mexico, James Macleay of the British Legation voiced the complacency felt by many for the future of foreign interests:

> At present there seems to be no cloud on the political horizon, and it may, I think, be accepted as a

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in 1910 at over £144,000,000, but later researchers have lowered the figure considerably. Rippy estimates the total nominal investment for 1910 at £98,400,000, and Tischendorf places the amount of paid-up capital at £77,967,260. Rippy, British Investments in Latin America, p. 95, and Tischendorf, op. cit., pp. 139-41.

[1]Wheetman Pearson (Lord Cowdray in 1910) was already one of the most active foreigners in Mexico before he began his oil operations in 1901. Although he had many difficulties in the early years of his oil gamble, by 1910 he was engaged in distribution as well as production, and his bitter "oil war" with the American Henry Clay Pierce was underway. For a laudatory account of Pearson's activities, see J. A. Spender, Wheetman Pearson, First Viscount Cowdray, 1856-1927 (London, 1930). See also Rippy, British Investments in Latin America, pp. 102-103, and Tischendorf, op. cit., pp. 122-27.

> general principle that the Mexican Government realize that the country is dependent for its material progress and economic development on the investment of foreign capital and maintenance of its financial credit abroad, and therefore will abstain carefully from any provocative or aggressive policy which might arrest the inflow of foreign capital or shake public confidence abroad in the value of their national securities.[1]

In reality there were not only clouds on the political horizon, but a storm of the greatest magnitude was already brewing, and Mexico was about to enter her long and agonizing revolutionary era. The diverse and often contradictory forces of discontent at first centered behind the liberal movement of Francisco Madero. Fighting began late in 1910, and by May of the following year the long career of Porfirio Díaz was at an end. The aged dictator's resignation resulted in the interim presidency of Francisco de la Barra, and the election of Madero who was sworn into office in November of 1911. During his short and troubled presidency, Madero survived innumerable minor and major rebellions and virulent attacks from conservatives and radicals alike for over a year only to fall victim to a treacherous military coup d'etat early in 1913.[2] An era in Mexican history was at an end, but to contemporary observers the future was uncertain.

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[1]Sent in Tower to Grey, January 6, 1910. F. O. 371/926.

[2]See C. C. Cumberland, Mexican Revolution, Genesis Under Madero, (Austin, 1952).

British policy towards Mexico during these years was perfectly straight-forward. It was based squarely on the protection of British economic interests. There were few ideological considerations. The geographical, political, and psychological factors that conditioned American policy towards the Mexican revolution were absent from the calculations of the British policy-makers. If British policy was not particularly broad or idealistic, it was at least coherent. The internal politics and changes of government in Mexico were to be evaluated solely in terms of their effect on British commercial and financial interests.

But how were these interests to be best protected? The answer of the British government in 1911 and 1912 was a policy of non-intervention. While they preferred the stability of the Porfirian system, there is no evidence that either the British government or its representatives did anything to prevent its collapse. Nor was there any official British hostility to the new Madero government. This policy was not based on any aversion to intervention in principle, but rather on the calculation that any foreign interference would aggravate rather than help the situation.

Such a policy would have been difficult to pursue if British interests had been seriously damaged during the course of the fighting, but the reports reaching London during the Madero revolution clearly indicated that this was not the

case. Chargé d'affaires Thomas Hohler's despatches[1] and the reports of the British consuls throughout Mexico were full of apprehension for the future, and there were many requests from British firms and estates for protection, but actual cases of damage to British property were surprisingly few.[2] "Wherever the rebels have been successful so far, they have shown marked care in preserving order and in respecting property," wrote Hohler in February of 1911. Foreigners and their property "have enjoyed so far almost complete immunity from molestation." When questions were raised in Parliament, the government's spokesman replied that there was no reason to believe that British interests were in peril or that the Mexican government could not protect them.[3] In his report on claims after the Madero revolution was over, Hohler

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[1]Hohler was in charge of the British Legation from January 17 to December 8, 1911, when the new minister, Francis W. Stronge, arrived.

[2]When the American Ambassador, Henry Lane Wilson, told Hohler that he had information that Cowdray's "great oil works" at Tampico were in a "most dangerous" position in the spring of 1911, Cowdray informed the British Chargé that there was uneasiness but that "he had not the slightest apprehension of any serious incident." However, Wilson's alarm and general pessimism led Hohler to send out a circular to the British consular officers to report on the state of the revolution and the effect of it on British and foreign interests. Hohler to Grey, April 19, 1911. A number of the resulting consular reports are in F. O. 371/1147.

[3]Hohler to Grey, February 23, 1911. F. O. 371/1146. Great Britain, The Parliamentary Debates (Commons), XXII (1911), March 13th.

himself was surprised that the British claims were "so extremely moderate." And in his annual report on Mexico for 1911, Minister Francis Stronge found it "remarkable" that foreign interests, especially British ones, were so little affected by a revolution of such extent and duration.[1]

The Foreign Office was not only opposed to any British intervention, but their greatest fear was the possibility of interference by the United States. There were a few British voices raised advocating some joint action with the United States, but the idea had no champions within the government.[2] In April of 1911 a Member of Parliament asked if the government was contemplating any action with the United States to support Díaz, or if the United States had been informed "that the recognition of the Monroe Doctrine by Great Britain was conditional upon the power of the United States Government to maintain its paramountcy on the American continent and to protect established British interests, especially

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[1]Hohler to Grey, July 7, 1911. F. O. 371/1148. Stronge's Annual Report on Mexico for 1911 in Stronge to Grey, August 21, 1912. F. O. 371/1397. According to Stronge only one British subject, a Canadian, was killed during the revolution, and that this was a case of private vengeance.

[2]For example, a director of the Mexican Land and Colonization Company asked the Foreign Office in May for joint Anglo-American naval action to protect their property, and the solicitor for an estate near Saltillo wanted the British government to cooperate with the United States "in getting peace restored and the regular government carried on." See 17983 and 18450 in F. O. 371/1147.

in such countries as the Central American Republics and Mexico." The Foreign Office's answer was a simple negative, coupled with a statement that British commercial interests were not reportedly being "injuriously affected."[1]

The British aversion to American intervention stemmed primarily from the belief that it would harm rather than protect British interests. British residents and diplomats in Mexico constantly emphasized the unpopularity of the Americans there. As the British Vice-Consul at Guadalajara put it:

> If it were possible to concrete all the Americans in Mexico into one sole American, I cannot conceive that it would be safe for that man to walk abroad in Mexico. The hatred is intensified by fear, by memory of lost territory, by utter dissimilarity. Sooner can the Englishman fathom the Bengali, than the American see eye to eye with the Mexican. I touch upon this matter, since this hatred, liable to inflammation at any moment, constitutes a real danger.[2]

Hohler too feared the effects of Mexican anti-Americanism. Any crossing of the border by American forces, he warned, would start demonstrations "which would not be confined to threats and menaces, and it is hardly to be expected that an ignorant population such as this would distinguish with accuracy between the American and the Englishman."[3]

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[1]Great Britain, The Parliamentary Debates (Commons), XXIV (1911), April 20th, pp. 1010-11.

[2]P. G. Holmes to Hohler, April 17, 1911, in Hohler's despatch of April 19th. F. O. 371/1147.

[3]Hohler to Grey, March 28, 1911. F. O. 371/1146.

The British realized that the Taft administration had no desire to intervene.[1] When Bryce pointed out the dangers of intervention, Taft assured him of his resolve to use force "only in some emergency of the gravest kind."[2] But the British were still apprehensive. Would the American government be able to stand against public opinion and the press if serious incidents occurred along the border? Bryce did not believe that the administration or Congress would abandon non-intervention to protect American financial interests, but what of "some ebullition of feeling" as had preceded the Spanish-American War? Would prolonged disturbances lead to "crying scandal such as was stated to have been the case in Cuba before the war"?[3]

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[1]For Taft's policy towards Madero, see Howard F. Cline, The United States and Mexico (Harvard U. Press, 1953), pp. 128-34; Pringle, William Howard Taft, pp. 700-11.

[2]Bryce to Grey, April 3, 1911. F. O. 371/1146. See also Bryce's of May 1st. F. O. 371/1147.

[3]Bryce to Grey, April 20, 1911. F. O. 371/1147. After the resignation of Díaz, Bryce admitted that he was struck by the "coolness" of American public opinion. "One or two foolish speeches made in Congress, by persons wishing to pose as energetic patriots, fell quite flat. Even from the Jingo newspapers . . . there has been scarcely a yelp or a snarl against the pacific policy of the President. When one remembers the aggressive and even bellicose temper of former days towards the Spanish-American republics, this quiescence is a remarkable evidence of the sense which has come upon the American people that they have nothing to gain and much to lose by any southward extension of their frontier. . . ." Bryce to Grey, May 30, 1911. F. O. 371/1147.

The low opinion of the diplomatic skill of Taft and the State Department held by the British also contributed to their uneasiness. For example, Bryce could not restrain his contempt for American diplomatic manners in his comments on Taft's mobilization of troops along the border in the spring of 1911. Even if the President had no intention of intervening, should he not have prepared public and foreign opinion? The diplomatic corps in Washington was "in a sad flutter," and, to Bryce, the incident was "another illustration of the strange, happy-go-lucky--one might almost say unthinking--way in which the business of the State is here conducted. . . ." The administration "meant no harm," but every week that passed "makes their want of tact and foresight in their dealings with Spanish America clearer, and I know this to be the view of some of their best and wisest friends."[1]

Nor did the estimates arriving from Mexico City regarding Henry Lane Wilson, the American Ambassador, do anything to mitigate British apprehensions. Hohler thought Wilson was too pessimistic, and of "a nervous and somewhat excitable disposition."[2] While visiting in Washington in April, Lord Cowdray (Wheetman Pearson) did his best to

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[1]Bryce to Grey, March 14 and 28, 1911. F. O. 371/1146.

[2]Hohler to Grey, February 11, 1911. See also Hohler's of March 22nd and April 19th. F. O. 371/1146 and 1147.

discredit Wilson's reports. According to Bryce, Cowdray "talked freely" to Attorney General George Wickersham and said to him that the United States Ambassador in Mexico was a highly nervous and excitable man, whose alarmist reports must be taken with much caution and in fact largely discounted."[1] When Wilson suggested to the diplomatic corps in May that the various foreign colonies coordinate plans for defense and ask the Mexican government for arms, Hohler opposed the scheme on the grounds that it was unnecessary.[2] It was clear that the presence of Wilson in Mexico City was not going to be a stabilizing factor in the rough waters of the revolution.

With the resignation of Díaz, British fears for the future now shifted from the possibility of American intervention to the character of the new regime.[3] Would Madero be

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[1]Bryce to Grey, May 1, 1911. F. O. 371/1147.

[2]Hohler to Grey, May 12, 1911; Grey to Hohler, May 15th. Hohler reported that the Spanish, Italian, and French representatives agreed with Wilson, but that the German minister was also opposed. The Foreign Office agreed with Hohler's views.

[3]In light of the British fears of American intervention in Mexico, it is ironic that the first foreign landing party was British. During April of 1911, H.M.S. Shearwater was cruising the coast of Lower California and received an appeal for protection from the Mexican Land and Colonization Company and an American resident at San Quentin. As the Mexican officials had fled from the town, the British Commanding Officer landed a party on April 11th for 17 hours until he learned that the revolutionists (or bandits) had

able to restore the stability and order that was all-important to British interests? Hohler's first estimates were unencouraging. "Opinions as to his personal value are unanimous," Hohler wrote while the revolution was still in doubt; "from every side I hear that he is a nullity, full of visions, ambition and empty words. . . ." A few days before the fall of Díaz, the British Chargé likened Madero to "a bubble, glittering but destined soon to burst . . . I trust I may be wrong, but I gravely fear that Madero has created a Frankenstein monster which he will be unable to control."[1] Hohler thought highly of De la Barra, the Interim President, but his subsequent comments on Madero soon convinced the Foreign Office that the revolutionary leader was, in Spicer's words,

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left the area. The Shearwater acted without instructions from London, but Grey believed that the Commander acted "quite properly." The Foreign Office instructed Bryce to tell the State Department of the reasons for the landing, and they approved such actions when no Mexican forces were available and when the operations were restricted to the protection of British and foreign property. The Mexican Government protested the landing but the exchange of notes was friendly, and, in Hohler's words, the incident caused "a lot of talk," but it "passed pretty quickly into oblivion." Shearwater to Admiralty, April 15, 1911, and Grey's minute. Grey to Bryce, April 16th; F. O. to Admiralty, April 16th; Hohler to Grey, April 18th; Hohler to Grey, April 22nd and April 28th; Shearwater to Admiralty of April 14th and 18th, in Admiralty to F. O. of May 3rd; Hohler to Spicer, private, April 23rd. F. O. 371/1156 and 1147. Great Britain, The Parliamentary Debates (Commons), XXIV (1911), 623, 1010.

[1]Hohler to Grey, April 18 and May 18, 1911. F. O. 371/1147.

"not the kind of man to govern Mexico." Continuing revolutionary disturbances and banditry of course only served to confirm this view. As 1911 drew to a close, Hohler was still groping for a "clear view" of the future, but he was convinced "beyond all doubt" that Mexico was "unripe for truly democratic methods of government, and requires to be guided by a strong but supple hand."[1] In short, the British view of Madero and the governmental capabilities of the Mexican people was the same as that of most foreign and Mexican critics of the new regime. It was a partially unfair and distorted estimate, but it was the one that was to play a crucial role in subsequent decisions.

Despite their yearnings for the old days of order and stability, the British government was still determined to maintain its policy of non-intervention and non-interference in the internal affairs of Mexico. Rumors and reports on the Orozco rebellion in the spring of 1912 were extremely gloomy, but the Foreign Office continued to avoid any strong policy. The feeling was growing in London that American intervention might become inevitable, but the British still feared such a move and hoped that Taft would remain firm.[2]

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[1]Hohler to Grey, July 14, 1911, and Spicer's minute; Hohler's of December 6th. See also his despatches of July 27th, November 3rd and 21st. F. O. 371/1150.

[2]The disquieting reports came from many sources early in 1912. In February, Sir Thomas Holdich, the chairman

Reports from Mexico as to the probable results of foreign intervention were even more lurid than those of the previous year.[1]

However, the question of joint action in Mexico was raised once again in the spring of 1912, and one of the enquiries came from a rather curious source. During an interview with President Taft on March 4th, Bryce asked him if he had considered what he might do if the situation in Mexico lapsed into anarchy.

> He replied that if this should happen, he would, before sending in any troops, have to consult Congress. He then remarked that any such action would of course alarm the South Americans, and be construed as indicating an intention to annex territory, and asked whether I thought His Majesty's Government would, in such an eventuality, be disposed to join him in intervention. Our joining would reassure the Spanish Americans as to the views and purposes of the United States.
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> I observed that no doubt such participation by us would have such a reassuring effect . . . but that I

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of a land company in Chiapas, called at the Foreign Office in an anxious state wanting to know if the Madero government was "falling to pieces" and if the United States was likely to intervene. About the same time Innes passed on a gloomy report to London from the German military attache in Washington. Stronge too thought the situation was more disturbed than at any time since 1876, and reported that "anarchy" in many districts made it impossible for the Mexican government to respond to all the demands from the foreign legations for protection of their nationals. Spicer memorandum of February 16, 1912; Innes to Mallet, February 9th; Stronge to Grey, February 24th and February 29th, and Mallet's minute. F. O. 371/1392.

[1]See, for example, the report of the British Vice-Consul at Gomez Palacio of February 10, 1912, in 9401, F. O. 371/1392; and the private letter of a coal mine owner in Coahuila in 15058, F. O. 371/1393.

could not, without consulting you, indicate how His Majesty's Government would view such a suggestion.

He then asked me to sound you on the subject, adding that it might perhaps be well, with the same view of reassuring Spanish American opinion, to invite France and Germany also to join--the latter generally like to take part in whatever was going on. Some newspapers or other persons wishing to hurt him might, perhaps, raise a cry about the Monroe Doctrine, but he thought he might take his chance of that.

Although Bryce thought that Taft's suggestion was put forward "on the spur of the moment" and that any such invitation from the United States was a very remote possibility, the Foreign Office was forced to consider what its attitude would be if such a novel situation did arise. In addition to the fact that he doubted that the British military authorities would be willing to send troops to Mexico, Spicer argued that joint action with the United States might create "a most inconvenient precedent." If a similar revolution were to break out in any of the large republics of South America in which British interests were as great as in Mexico, Britain "should be powerless in such cases to interfere without the approval of the U. S.--or rather without their invitation." Mallet was shocked at the very thought of such a plan:

We need not answer this despatch or commit ourselves either way until the situation develops & we are actually invited to join in intervention.

I presume that intervention would mean the despatch of troops, for warships would be of no use, as there are so few places on the coast to which they could go with advantage.

> I should think that HMG would hardly even consider the question of sending troops to Mexico & I am surprised that Mr. Taft should have made it. A madder enterprise could not be conceived.[1]

Nothing more was ever heard from Washington about Taft's "mad" scheme, but the question of joint action now arose in Mexico City. During a dinner at the American Embassy on April 1st, the subject was raised of landing marines at Vera Cruz and bringing them to Mexico City to protect the legations and foreign colonies. Although Wilson claimed later that his words had been misinterpreted, Stronge reported to the Foreign Office that the American ambassador had suggested that British "and other foreign marines" should be landed and "that he only waited a request from any two of his colleagues representing Great Powers in order to take the initiative." Stronge had no intention of taking any initiative, and his opposition to any such plan on the grounds that it would be disastrous for all foreigners was approved in London.[2]

When the British minister reported on the steps being taken by the British colony for defense, the reaction in the Foreign Office was fatalistic. If the British colony were

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[1]Bryce to Grey, March 4, 1912, and minutes by Spicer and Mallet. F. O. 371/1392.

[2]Stronge to Grey, April 1, 1912; Grey to Stronge, April 2nd; Stronge to Grey, April 5th; Stronge's despatches of April 2nd and April 4th. F. O. 371/1393.

"beseiged by revolutionary mobs," Mallet was afraid the British government would be "powerless" to aid them. When asked if the Foreign Office should ask Stronge how the government could help if the need for defense arose, Nicolson replied bluntly: "Mr. Stronge asks for nothing--and H. M. G. cannot render any help--an expedition being quite out of the question."[1]

On April 23rd Taft once again reassured Bryce that he was determined to adhere to his policy of non-intervention, but the Foreign Office was still uneasy.[2] Early in May, a despatch arrived from Stronge containing a long discussion of the probable adverse effects of either American or joint intervention.[3] The British minister's analysis reenforced the Foreign Office's aversion to the idea of an international occupation of Mexico City. In Mallet's view, if the foreign

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[1]Stronge to Grey, March 28, 1912, and minutes by Mallet and Nicolson. F. O. 371/1393.

[2]Bryce to Grey, April 23, 1912. F. O. 371/1393.

[3]Stronge to Grey, April 20, 1912 (received May 6th). To the usual objections to intervention, Stronge added the fear that the Americans might use their probable control over any joint intervention to "exact special commercial advantages from the Mexican Government as the price of their support, whether moral or material, and, in any case, their exceptional position would give them a hold on the market which would render competition very difficult. The distrust of the South American republics would be aroused, but I doubt whether European countries would acquire any advantage which would compensate for the loss of their Mexican trade." F. O. 371/1393.

legations were in any real danger, "they should all withdraw. Ld Salisbury said that this should have been done at the time of the Boxer rising--but the difficulty is to seize the right moment." As for American intervention, the Foreign Office was sufficiently worried to point out to Innes in Washington that Stronge's despatch "shows clearly the danger to which British subjects would find themselves exposed" if the United States decided to intervene.

> In any discussion of this question you would be careful to let it be known that intervention by the United States Government would, in my opinion, probably entail very serious consequences.
>
> You should further carefully watch the situation and report to me at once any signs which you may consider to indicate that intervention is contemplated.[1]

Although the Foreign Office was apprehensive enough in April to ask the Admiralty to keep ships within "easy reach" of both the Atlantic and Pacific coasts of Mexico,[2] it is clear that even the alarms and rumors of the spring of 1912 did not cause any basic change in the British policy of non-intervention. Stronge's subsequent reports from Mexico were certainly not optimistic, but they were not as alarmist

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[1]Mallet's minute to Stronge to Grey, April 20, 1912. Grey to Innes, May 10th. F. O. 371/1393.

[2]Admiralty to F. O., April 24, 1912; F. O. to Admiralty, April 26th. H. M. S. Algerine and the Shearwater visited ports along the Pacific coast in May. At the request of Lord Cowdray, H. M. S. Melpomene visited Tuxpan and Puerto Mexico, and during the October revolt at Vera Cruz, the Melpomene was again ordered into Mexican waters.

as those of Wilson, and Stronge, like Hohler, found the American "of a very nervous temperament" and overly pessimistic.[1] Despite the continued disorders, London was not bothered by any serious British claims. British exports to Mexico were higher than they had been before the revolution, and there was no pressure from the bondholders as the Mexican government was still servicing the external debt.[2] As 1913 began, the policy of the British government was the same as it had been for the past two years.

Why then did the British depart from their policy of not "taking sides" in Mexico in 1913? Why was the Huerta coup d'etat so welcome in London? The answer of course is found in the British estimates of the future rather than the present. If the British had no substantive complaints against the Madero government, they also had no hope in its

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[1]See Stronge's estimate of Ambassador Wilson in his despatch of April 10, 1912. F. O. 371/1397. See also his remarks on Wilson in his Annual Report for 1911 in his despatch of August 21, 1912. Stronge believed that the American Embassy "ought to be in a position practically to govern the country," but "the fact is that its influence is almost nil--except when, by some sudden and violent action, it raises a spirit of stubborn opposition."

[2]British exports to Mexico from 1909-1913 were as follows: 1909: £2,265,224; 1910: £2,580,677; 1911: £2,489,935; 1912: £2,713,137; 1913: £2,498,199. The figure for 1912 was the highest value since 1907. Great Britain, The Parliamentary Papers, "Annual Statement of Trade of the United Kingdom with Foreign Countries and British Possessions," Cd 7585 (1914) LXXXIII. The Mexican external debt went into default in 1914.

future. Stronge's descriptions of the Mexican President had done nothing to modify the unfavorable impression that the Foreign Office had received from Hohler in 1911. Stronge had none of the personal hatred for Madero that so characterized the views of Ambassador Wilson, and the British minister's portraits were not completely unflattering. Madero was absolutely honest, possessed "of a high degree of courage, both moral and physical," and if he could carry out half the measures he contemplated he would be "a blessing to his country." But Stronge's conclusions were substantially the same. Unfortunately Madero was "more a dreamer than a practical man" and "it is not a good thing for the chief magistrate of a country like Mexico to be a dreamer."[1] The danger, according to Stronge, was the continuing disturbance in Mexico rather than the strength of the revolutionary movement.

> Speaking generally the President is neither loved nor feared, but he has so far been supported by the more respectable elements in the country because he represented legal government, and because it seemed more likely that peace would be obtained through him than in any other way. These hopes have not been realized. The Government has not succeeded in suppressing disorder, and its failure is attributed, and I think with much reason, to the President's own vacillating policy. The opinion is gaining ground that the present administration has shown itself incompetent to deal with the situation, and that almost any change would be for the better.[2]

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[1]Stronge's Annual Report for 1911 in Stronge to Grey, August 21, 1912. F. O. 371/1397.

[2]Stronge to Grey, October 9, 1912. F. O. 371/1395.

Stronge's actions during the "Tragic Ten Days" of February 1913 show that he fully shared the opinions of the "respectable elements" in Mexico. The struggle for Mexico City that resulted from the Reyes-Díaz military insurrection of February 9th dispelled any doubts that the British Minister may have had as to the ability of the Madero government. Stronge's role in the crucial behind-the-scenes diplomatic maneuvering was not that of a leader, but rather that of a convinced follower of Ambassador Wilson. There were to be no more reports on Wilson's "pessimism," and Stronge's accounts do not reflect the slightest disagreement with any of Wilson's suggestions.

Stronge was not present at the conference on February 12th between Madero, Wilson, and the Spanish and German ministers at which the American protested to the President against the fighting, but he had sent a note to Wilson before the meeting saying "that I associated myself with him and my colleagues in any measures that they might take to put an end to the present situation." When Wilson, on the evening of February 14th, suggested to the three European representatives that the time had come for "some further action," Stronge and his colleagues unanimously agreed that the Spanish minister, M. Cologan, "should go to the palace as soon as it could be arranged, and after making an appeal to the President's feelings of patriotism, should suggest to him as

a private hint from himself and his colleagues of the United States, Germany, and England that his resignation would simplify the situation and lead the way to peace." When the indignant President sent Taft a public telegram to counteract Wilson's reports, Stronge, at Wilson's request, cabled Bryce "that President Madero's telegram to Mr. Taft was misleading, that Mr. Wilson's reports were to be trusted, and that the resignation of Senor Madero seemed to be the only possible solution." Stronge never met General Huerta during the revolt, and cannot be accused of taking part in any of the disreputable intrigues between Wilson and Madero's treacherous commandant, but he did know that Huerta and the American were in contact and that Huerta had told Wilson "that he meant to take action to stop the fighting."[1] After the successful conclusion of the coup by Huerta's arrest of Madero, Stronge paid tribute to Wilson's "good services" in securing the

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[1]For the Huerta coup d'etat, see Cumberland, op. cit., pp. 229-43. Stronge described his activities in some detail in a memorandum in his despatch of February 21, 1913. Also enclosed is a memorandum by Wilson on the conference with Madero on February 12th that Stronge did not attend; a memorandum by Stronge on the afternoon meeting with Felix Díaz that he did attend; and a memorandum by Wilson on the February 14-15 meeting at the American Embassy. See also Stronge's despatch of March 17th on Wilson's role in the coup. F. O. 371/1672. On Wilson see: L. L. Blaisdell, "Henry Lane Wilson and the Overthrow of Madero," Southwestern Social Science Quarterly, XLIII (1962), 126-35. Wilson's own account of his activities--which has convinced no one--can be found in his Diplomatic Episodes in Mexico, Belgium and Chile (New York, 1927).

arrangements between Felix Díaz and Huerta, and to the American's "courage and foresight" throughout the insurrection.[1]

The Foreign Office was as surprised as the State Department by the outbreak of the revolt against Madero. They had little knowledge of what was happening in Mexico City, and nothing was done except to send a ship to Vera Cruz. Stronge's telegram telling of the joint representation urging Madero to resign did not arrive until February 17th, and the Foreign Office's reply reflected their uncertainty:

> The situation is doubtless very critical, and you are the best judge of how to deal with it; but I am doubtful of wisdom of pressing resignation on Madero, as the revolt is essentially a question of internal politics. I must, however, leave this more or less to your discretion.[2]

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[1]Stronge to Grey, March 17, 1913. F. O. 371/1672. Wilson's later recollections of Stronge were not quite as charitable: "Sir Francis had a consuming passion for parrots, and one gathered somehow the suspicion that they participated in his councils. Whether in drawing room, at table, or in the chancellery, one of them was always present, perched upon His Excellency's shoulder and mingling affably but insistently in the conversation." During the critical hours of the revolution the British colony was impatient at his lack of initiative, but this was unfair as he did his best "so far as his natural antipathy to noise and violence would permit." Wilson, op. cit., pp. 181-82.

[2]Stronge to Grey, February 16, 1913 (received the 17th); Grey to Stronge, February 19th. On hearing from De La Barra that the nature of Taft's reply to Madero might determine the President's decision to resign, Stronge told Wilson that "a threat of immediate intervention would have great weight." The Foreign Office was wary of anything that would encourage the idea of U. S. intervention. As Grey warned Stronge, it would "be better to refrain from making any communication to the United States Ambassador which he

But by the time this advice reached Mexico the insurrection was over and a new government was being formed with Huerta as Provisional President. Stronge was never reprimanded for his unauthorized action. When he justified it on the grounds that the resignation of Madero appeared to be the only way to get peace and avoid intervention, Grey replied that his telegram "was only meant for your guidance in most difficult circumstances," and expressed his sympathy for Stronge's "most trying experience."[1] Although London had had nothing to do with the diplomatic pressure on the Madero government, the Foreign Office was not unhappy with the turn of events.

However, the British government was still not ready to take any leading role in support of Huerta. Huerta's message to King George of February 19th, announcing peace in Mexico and that British interests would be protected, was not answered on the advice of Willoughby Maycock of the Treaty Department, who pointed out that recognition would be

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might interpret as encouraging the military intervention of the United States Government--the sole responsibility of that must be left to the United States Government. Neither party in Mexico would presumably thank us for encouraging it." Grey to Stronge, February 19th. F. O. 371/1671; Stronge to Grey, February 22nd. F. O. 371/1672. See also Grey's answer to Mitchell-Thomson's question in Parliament of February 11, 1913.

[1]Stronge to Grey, February 20, 1913. F. O. 371/1671. Grey to Stronge, February 22nd; Stronge to Grey, February 22nd. F. O. 371/1672.

premature as the Foreign Office was "not aware that Huerta has been 'elected' in any shape or form."[1] When Stronge again acted without instructions in attending Huerta's formal reception of the diplomatic corps on February 21st on the grounds that it was "essential to give the new government immediate support," the Foreign Office did not object, but they still did not see any necessity for a hasty recognition.[2] On the 22nd Grey authorized Stronge to "carry on business relations" with Huerta's Cabinet, but Huerta's formal recognition would have to wait "until he announces his election, after observance of the constitutional forms, to the King in writing."[3]

Stronge assured the Foreign Office that Huerta had observed the legal forms of the Mexican constitution. With the resignation of Madero and his Vice-President, the Minister for Foreign Affairs, Pedro Lascuráin, had become acting President. Lascuráin then appointed Huerta Minister of the

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[1]Huerta to King George, February 19, 1913, and Maycock's minute. F. O. 371/1671.

[2]Stronge to Grey, February 21, 1913, and Spicer's minute. Mallet did object to Stronge's circular telegram to the British consuls telling them to give Huerta's government "all proper support." "It would have been enough," Mallet wrote, "to inform them that Huerta was de facto President & that they might enter into relations with his officials." Stronge's despatch of February 21st, and Mallet's minute. F. O. 371/1671 and 1672.

[3]Grey to Stronge, February 22, 1913. F. O. 371/1672.

Interior and immediately resigned. Thus Huerta succeeded to the Presidency, with the Senate approving the farcical proceedings. The Foreign Office was not concerned with the ethics of Huerta's constitutional legerdemain, but they were still uncertain as to his exact status. Britain had recognized De la Barra as a "provisional President" after the resignation of Díaz in 1911, but Maycock argued this had been an exceptional case: "I understand President Huerta is for the moment a sort of stop gap, and that there must be a general election before he is full blown & that would be the proper time for him to write to the King." Maycock of course was thinking of more than diplomatic niceties, for, as he pointed out, a delay on these grounds would "afford time for things to settle down, for us to see how Huerta behaves himself, & what line the U S take." As the Foreign Office was already toying with the idea of following the American lead of demanding some assurances from Huerta regarding claims, Maycock's advice seemed sensible, and on February 25th Grey told Stronge that the proper time for Huerta to write the King would be after the election, and "you might throw out a hint to that effect."[1]

In spite of such good intentions, the British govern-

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[1]Stronge to Grey, February 25, 1913, and Maycock's minute; Mallet's minute to Stronge's of February 23rd; Grey to Stronge, February 25th. F. O. 371/1671.

ment soon found it impossible to maintain their freedom of action. The murder of Madero on February 21st had not been one of the reasons for the decision to delay, but it did arouse fears in some influential quarters that such was the case.[1] The new Mexican government was obviously worried. When Stronge talked to De la Barra, who was now a member of Huerta's Cabinet, he was completely unsuccessful in convincing the former Provisional President that his case was not a precedent. Instead De la Barra protested that the government was innocent of any complicity in Madero's death, and laid "great stress" on "the importance to foreign interests of affording the new Government every moral support."[2]

Lord Cowdray was equally disturbed. When his manager in Mexico, John B. Body, went to see one of the new ministers in order to resume some pending negotiations, the official told Body that, as "it had been hinted to him that His Majesty's Government were unwilling to recognize the new Government, the latter could hardly contemplate with satisfaction

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[1]The Foreign Office had no illusions about Huerta. On February 25th Stronge cabled: "I fear that there can be no doubt that the ex-President & Vice-President were executed by order of military revolutionary chiefs & that story of attempted rescue is an invention. The crime is regarded as a necessary & inevitable measure which is likely to facilitate the pacification of the country." See also Hohler's description of Huerta in Stronge's despatch of February 21st. F. O. 371/1671 and 1672.

[2]Stronge to Grey, February 28, 1913. F. O. 371/1671.

the continuance of such business relations with a British firm." When Body cabled this distressing news to his chief, Cowdray replied from London that the Foreign Office had told him that Huerta could not be recognized until Stronge reported that the President's position was constitutional. On hearing this, the British Minister cabled the Foreign Office that Ambassador Wilson had informed Washington that Huerta's government was "a duly constitutional and legal one" and that he concurred.[1] It is not clear whether the Foreign Office knew of this particular pressure in Mexico City--Stronge's despatch giving his reasons for sending the telegram did not arrive until March 25th--but they did know of Cowdray's fear of delay. In any event, Stronge's telegram of February 28th telling of his talk with De la Barra had already been enough to set off the debate within the Foreign Office that was to lead to recognition.

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[1]Stronge to Grey, March 1, 1913. F. O. 371/1671. Stronge's despatch of March 3rd (received March 25th). Body also told Stronge that the Mexican Minister of Justice had told the British owned Mexican Light and Power Company that the United States, Germany and France had recognized Huerta but that Britain had refused. Stronge took Body to the U. S. Embassy where Wilson backed the British minister's statement that the attitudes of the foreign representatives at Mexico City were identical. In order to keep their "hands from being forced," the Diplomatic Corps sent the following note to De la Barra: "Le Corps diplomatique est entré en communication avec le Gouvernement mexicain, tout en réservant à ses Gouvernements respectifs le privilège de reconnaître formellement le Gouvernement provisoire au moment que cela leur semblera à propos." Stronge to Grey, March 3rd. F. O. 371/1672.

Would it be prudent to risk possible injury to the "enormous" British interests in Mexico by a "too rigid adherence" to the policy of refusing to recognize provisional presidents? Spicer thought not. As Huerta's position seemed "regular enough," why irritate him needlessly during the period until a new president was elected? Mallet agreed, advising Grey that the question of recognizing Huerta "is a political one as to which we shall be in a better position to judge a little later."

> In the meantime Mr. Stronge evidently thinks that H M G may refuse recognition on account of Sr Madero's murder. You said before you left London that you did not intend to intervene in the internal strife between the rival factions and I informed Lord Cowdray--who was seriously alarmed at rumours which had reached him from Mexico--which I have reason to think were based on something said by Mr. Hohler to effect H M G would withdraw recognition on account of Sr Madero's murder--that this position had not even been considered by H M G & that as far as I knew, H M G would pursue the usual course & recognize as Head of the Mexican State whoever was constitutionally elected.
>
> The Murder of Sr Madero may possibly be a reason against breaking our rule & recognizing Huerta as Provisional President, but to give that as a reason when we have another--namely that it is against our rule to recognize Provisional Presidents, is foolish & Mr. Stronge should not discuss this at all. . . . Personally I agree with Mr. Spicer that we should be guided by our interests which are very extensive irrespective of the murder of Madero.

But was it wise for Britain to take the lead in recognition? Nicolson wanted first to consult with the United States, France, and Germany as to their intentions, but Grey was in an independent mood. "Our interests in Mexico," he

decided, "are so big that I think we should take our own line without making it dependent upon that of other Govts."[1] As the Foreign Secretary cabled Stronge on March 3rd, the decision would be made "in the light of precedent and of what seems politically desirable." Grey made it perfectly clear that the prospect of stability was the all-important consideration, not constitutional technicalities or Huerta's morality:

> You should meanwhile not give any reason for supposing that recognition will be refused or that we shall bring into our consideration of the matter the death of Madero under circumstances of which we cannot have accurate knowledge. It would be desirable to form as accurate an impression as possible whether General Huerta's administration will command confidence & create stability in Mexico. If so the sooner we recognize it the better.[2]

When Hamar Greenwood, M. P., called at the Foreign Office on March 3rd to urge recognition "on behalf of British interests generally and of some Canadian firms with a large stake in Mexico," Mallet was able to tell him confidentially that Grey was "disposed" to do so as soon as Huerta made a formal announcement of his accession to the presidency.

> He was greatly relieved & said that he would not trouble you in the circumstances to receive a deputation. An impression prevailed that the death of Madero would be an obstacle to H M G's recognition. I

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[1]Minutes by Spicer, Mallet, Nicolson, and Grey to Stronge's telegram of February 28, 1913 (received March 1st). F. O. 371/1671.

[2]Grey to Stronge, March 3, 1913. F. O. 371/1671.

reassured him on this point.[1]

In light of his past activities and the tone of his recent despatches, Stronge's estimate of March 7th of the prospects of the new Mexican regime could have surprised no one. While admitting that it was too early to form a positive opinion, Stronge believed that Huerta's government "affords good prospects of stability." Some areas of Mexico were still troubled, but general conditions were "better than for a long time past," and the outlook was "favourable."

The Foreign Office was now ready to move. After the Mexican Minister told Mallet that Huerta's required autographed letter was on its way to London, Grey decided to tell the Mexican government that Britain would recognize the new President.[2] On March 12th identical telegrams were sent to the British representatives at Washington, Paris, Berlin, Vienna, and Rome informing them that Grey would advise the King to reply to the autographed letter, "thereby recognizing General Huerta as <u>interim</u> President if conditions remained the same in the meantime," and that Stronge had been told to understand that by telling the Mexican Minister this the

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[1]Mallet to Grey, March 3, 1913. F. O. 371/1671.

[2]Stronge to Grey, March 6, 1913 (received the 7th), and minutes by Spicer, Maycock, and Mallet. F. O. 371/1671. Lionel Carden, who was in London at the time, was able to add his bit by telling Maycock that he thought well of Huerta.

British government "have promised recognition, if conditions remain unchanged."[1]

Thus a combination of pressures in both Mexico City and London had led to a British commitment. The British had notified the other powers of their decision rather than consulting with them, and, while the Foreign Office had qualified its promise to Huerta, there is no question that they considered themselves as committed. When the British Ambassador at Berlin reported that the Germans had given no indication of extending recognition until the election that was supposed to take place later in the year, Maycock wondered whether Huerta was eligible to run.

> Anyhow we are pledged to recognize him in his present capacity as soon as his letter arrives, so what line any other country takes becomes a secondary question.
>
> The line the Germans <u>have</u> taken is probably the line we <u>should have</u> taken in normal circs, but political consns outweight these.[2]

The Foreign Office did reject a Mexican request to make an immediate public statement, but when Huerta's letter arrived at the end of the month, conditions were "unchanged," and formal recognition as President <u>ad interim</u> was announced on

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[1]Telegrams of March 12, 1913. F. O. 371/1671.

[2]Goschen to Grey, March 14, 1913, and Maycock's minute. See also Rodd's telegram from Rome of March 15th. F. O. 371/1671.

March 31st.[1] The major European nations and most of Latin America soon followed the British lead.[2]

In evaluating the meaning of the British recognition of Huerta in the context of Anglo-American relations in Latin America, care must be taken to avoid either unduly emphasizing or minimizing its significance. The decision was not made in the face of American opposition. The State Department had not followed Ambassador Wilson's request for recognition, but Wilson was still at his post and had taken part in the complimentary reception of the diplomatic corps by Huerta on February 21st.[3] The Taft administration's official

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[1]Grey to Washington, Paris, Berlin, Madrid, Vienna, and Rome, March 31, 1913. F. O. 371/1672.

[2]The major exceptions were Argentina, Brazil, and Chile.

[3]Grey later used the fact that Ambassador Wilson had read the congratulatory speech to Huerta at the reception of the Diplomatic Corps on February 21st as one of the "circumstances" leading to the British recognition. Grey to Spring-Rice, May 21, 1913. F. O. 371/1673. Great Britain, The Parliamentary Debates (Commons), LIII (1913), 322. Ambassador Wilson was recalled by the President in July of 1913, and the following month was reprimanded by the State Department for his attack in the press on the British Foreign Office over the matter of the congratulatory address. According to Stronge, Wilson's original draft had been opposed by himself and several heads of mission as "an unwarrantable interference" in the domestic affairs of Mexico, and the final speech was mainly the work of the Spanish minister, with some suggestions by Stronge and the German minister. However, Stronge argued, Wilson had read the speech and was thereby equally responsible for its contents. See 38579, 371/1675, and Stronge to Grey, August 19, 1913. F. O. 371/1676; Wilson, op. cit., pp. 323-27, 378-86.

explanation for withholding recognition was based on the necessity of settling pending claims and controversies, not on the character of the new Mexican regime. On February 24th Bryce reported Taft as saying that he saw nothing in the present Mexican situation to justify any departure from his policy of non-intervention, and, a few days later, Knox told the British Ambassador that the prospects for Mexico were better than at any time in the previous eighteen months, and that Huerta "was reported to him as being a man of vigour and military talent, and not eager to hold supreme power."[1]

Nor did the new American administration make any objections during the weeks following the British notification of their intentions in mid-March. When Bryce talked to the new Secretary of State on April 1st, the day after the formal British recognition, there were no recriminations, only a vague statement by Bryan that he could not give Bryce any definite indication of his government's intentions and that they would "at any rate wait some while longer before recognizing General Huerta's government."[2] One can only speculate

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[1]Bryce to Grey, February 24, 1913; Bryce to Grey, February 28th (received March 10th). F. O. 371/1671.

[2]Bryce to Grey, April 1, 1913. F. O. 371/1672. The first report from Washington that indicated President Wilson's displeasure over the British recognition of Huerta was Spring-Rice's telegram of May 16th in which he warned of the "unfavourable impression" that the recognition seemed to have created there. F. O. 371/1673. For the development of Wilson's policy, see Link, op. cit., pp. 347-77.

what the British policy would have been if Woodrow Wilson had formulated a definite anti-Huerta policy in March rather than May of 1913, but certainly it would have been more than a "secondary question" if the United States had taken a "line" opposed to Britain.

On the other hand, the importance of the British decision should not be underestimated. If the Foreign Office did not anticipate the storm that their action would later precipitate, they certainly realized that they were making an important decision. This was not a routine case of recognizing the existence of a de facto government. In spite of their original inclinations to follow a safe course of delay, the British government responded to the representations of those with interests in Mexico, and broke their "rule" of not recognizing provisional presidents.[1] Grey had brushed

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[1]The question of Lord Cowdray's influence was raised in Parliament in May of 1913. Mr. William Young, MP, visited the Foreign Office and told Mallet that he had traced the decision to Cowdray "whom he denounced in the strongest language" for his dealings with the Mexican Government. "He said that he meant to probe the matter to the bottom. I assured him that his suspicions were unfounded but was obliged to admit that Lord Cowdray amongst others had been anxious that HMG should recognize Huerta & had so informed us." When asked in Parliament by Mr. Wedgwood why the government had recognized Huerta while the United States still refused, and whether Cowdray had "approached the Foreign Office in this matter of early recognition," Grey replied that they had acted because of advice that recognition "would contribute to the reestablishment of order which was a matter of the first importance to British subjects and British interests in Mexico." The decision "was taken on their own

aside Nicolson's misgivings and his advice that the United States and Europe should "act all together." The British took the lead away from the United States in an area in which American interests were predominant, and, unless there were private soundings in Washington that have not found their way into the records, the Foreign Office gave the United States no more in the way of notifications than they gave to the nations of Europe. It was not an "anti-American" decision, but it was an independent one. The protection of British interests rather than American susceptibilities was the primary consideration in the minds of the British policy-makers. Grey was soon to relinquish his independent policy in Mexico, but it would take considerable American pressure combined with a friendly disposition on the part of Wilson towards the canal tolls controversy before the British gave way.

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responsibility and quite independently of Lord Cowdray." Wedgwood however was not convinced: "Are we to understand that Lord Cowdray did not ask to have this recognition and did not approach the Foreign Office with regard to such recognition?" Grey: "No, Sir, I did not say that. I have had representations from more than one quarter. The recognition was made on our responsibility, quite independent of Lord Cowdray." Great Britain, The Parliamentary Debates (Commons), LIII (1913), May 29th, p. 332. Mallet's minute in 25635, F. O. 371/1673. Grey's defense was technically correct, but less than completely candid. The influence of Lord Cowdray was exaggerated in Britain and the United States, but the fact remains that the Foreign Office only took the lead in recognizing Huerta after Cowdray and others voiced their fears that a policy of delay would injure British interests.

The British defense of their treaty rights under the Hay-Pauncefote Treaty and the recognition of Huerta both show that there were limits to the passive policy of Great Britain in Latin America. The magnitude of the British interests involved make these cases unique. But the very importance of these two questions can lead to an incomplete picture of the state of Anglo-American relations in Latin America in 1913 if the assumption is made that they were merely isolated cases in which the Foreign Office was forced to act by the extent of the British interests at stake. In actual fact, during these same years, the British government can be seen taking a more independent stance regarding the United States over issues in which British interests were relatively small. Thus to understand the degree to which the Anglo-American "entente" had deteriorated by 1913 it is necessary to return to the story of the British reaction to the growth of American influence in Central America.

CHAPTER VIII

IN DEFENSE OF BRITISH INTERESTS

II. Nicaraguan Claims and Guatemalan Bonds

While the British were pondering over the major issues of canal tolls and the Mexican revolution in 1911-1913, the Foreign Office was also engaged in a more vigorous and independent policy regarding the settlement of British claims in Central America and the Caribbean. On the surface, the British policy vis à vis the United States and the small Latin American countries remained the same. When Lionel Carden, in November of 1911, sent another direful warning about the probably disastrous effects of American activity in the area, Sir Edward Grey replied in much the same terms as he had used in 1909 and 1910: British interests were to be defended, but nothing could be done to check the spread of American influence.[1] In reality, however, Grey's policy was unworkable, and trouble with the United States was inevitable once the British became serious in defense of their interests.

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[1]Carden to Grey, November 30, 1911, and minutes by Spicer and Grey; Grey to Carden, January 9, 1912. F. O. 371/1056.

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British opposition to the Nicaraguan Claims Commission and their action in behalf of the Guatemalan bondholders both show the degree to which Anglo-American cooperation in Central America had deteriorated by the end of the Taft administration.

The Foreign Office was always less reluctant in giving diplomatic aid to British subjects having general claims against Latin American nations than it was in extending help to the British holders of government bonds. Although there was no great pressure being exerted upon the Foreign Office for claims settlements, the British were quite active in such negotiations during the years of the Taft administration.[1] From the viewpoint of Anglo-American relations, the most significant of these negotiations occurred in Nicaragua, for it was there that Great Britain for the first time openly refused to cooperate with one of the plans of the State

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[1]Great Britain even took part in a limited revival of the multilateral approach of applying pressure to reluctant Latin American states. From 1909 to 1913, the Foreign Office joined Germany and France in an unsuccessful attempt to get Cuba to arbitrate the so-called "insurrectionary claims" of 1895-1898. The British, French, Germans, and Italians were more successful in their joint pressure on Haiti in 1910-1912 for the payment of claims. There was never any intention of using force, and the United States even joined the Europeans in their demands on Haiti, but the mere fact that Britain was willing to act again in concert with other European nations in Latin America testifies to the new mood of independence. On Cuba, see F. O. 371/656, 887, and 1107; U. S., Foreign Relations, 1911, pp. 126-32; 1912, pp. 276-93; 1913, pp. 341-52. For Haiti, see F. O. 371/680, 914, 1132, 1382.

Department.

Although the American role in the Nicaraguan civil war of 1909-1910 had aroused some misgivings in London, the British were not opposed to the establishment of an American financial protectorate in Nicaragua, and the Foreign Office had shown little sympathy for the complaints of the Ethelburga syndicate. But when it became clear in 1911 that the American plans for the control of Nicaragua included an American-Nicaraguan Claims Commission that would have sole jurisdiction over all claims against the Central American government, British suspicions of the United States flared up once again. The British claims against Nicaragua were not large, but the Foreign Office instinctively balked at the idea of consigning them to the tender mercies of an American dominated commission. As Sperling argued, it "would certainly be hard to believe" that such a commission would be impartial, as the United States "wish to pose as the protectors of the C. A. Republics & would welcome a chance of doing so at our expense by whittling down our claims to the lowest possible point."[1]

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[1]Sperling minute to Carden to Grey, April 28, 1911. F. O. 371/1058.

The Claims Commission was part of the American plans envisioned in the Dawson Agreements of 1910. Although it was unpopular with the Nicaraguans, the United States was able to get it authorized by the Nicaraguan assembly in the spring of 1911. However, the law had to be modified by a

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In the usual style of the Knox era, the State Department had not bothered to attempt to get prior acceptance of the Mixed Commission by the major European powers, and the American plan ran into considerable opposition.[1] When the commission was first formally announced in March of 1911 by the Nicaraguan government, the European reaction was negative. The German, Italian, and Belgian ministers all protested against the proposed commission, while the British and others simply ignored the decree. The ever-cautious Foreign Office hoped that the opposition of the other powers would scuttle the plan, but when it became obvious that some stand would have to be taken, Grey instructed Carden that British claimants were free to use the commission if they desired, "but in this case H. M. G. stand aside reserving their right to intervene diplomatically if not satisfied that justice has been done."[2] As the Foreign Office explained to the French,

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new claims commission law in October, and the Mixed Commission did not begin operating until early in 1912. See Munro, op. cit., pp. 188-89, 197-99.

[1]The United States did approach the Foreign Office in an indirect manner in April of 1911, when the American minister "intimated" to Carden that the Germans had objected to the submission of their claims and told him that the commission was to handle all foreign claims. The British minister thought that the American was trying "to ascertain whether we should make similar objections." Carden to Grey, April 28, 1911. F. O. 371/1058.

[2]Grey to Carden, June 21, 1911, F. O. 371/1057. See also Carden to Grey, May 6th, and minutes. F. O. 371/1058.

the British government preferred a mixed Anglo-Nicaraguan commission if "other means of settlement" failed.[1]

Carden had already presented the pending British claims to Nicaragua the month before the formal announcement of the commission, and the British decided to continue their independent negotiations.[2] Realizing that any personal move by himself in Nicaragua would be the same as waving a red flag in front of the American bull, Carden vetoed London's suggestion that he go to Managua. The British Minister was aware of the considerable opposition within Nicaragua itself to the commission, and he preferred to take advantage of Consul Martin's "personal intimacy" with the Nicaraguan politicians.[3] When the Nicaraguan Minister for Foreign Affairs

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[1]The French told the Foreign Office that they agreed with the views of the Germans and Italians and asked for the British position. Cambon to F. O., June 19, 1911, and reply of June 29th. There was also correspondence with the Germans and the Spanish in the summer of 1911. F. O. 371/1058.

[2]In September of 1910, the Nicaraguans told Carden that they were ready for a settlement. On February 8, 1911, the British Minister sent Nicaragua a note listing the pending British claims. On the oldest of these claims, that of the London Bank of Central America, the British had already asked for arbitration. See correspondence in F. O. 371/1057 and 1059.

In a minute to one of Carden's despatches about the bank claim in July of 1911, Grey wrote: "We shall have in the long run to demand arbitration and to tell the United States that unless Nicaragua accepts arbitration we must satisfy our claimants by taking things into our own hands." Minute to Carden's of July 7th. F. O. 371/1059.

[3]Grey to Carden, August 28, 1911; Carden to Grey, September 2nd. Carden hoped that Martin would be able to

proposed that all British claims be referred to the new commission, Carden merely acknowledged receipt of his note, for at the same time Martin was reporting that his "private" talks with President Adolfo Díaz at Managua were showing definite promise.[1]

At this point the inevitable clash with the United States occurred as the State Department now decided to try to bring the British government into line. On December 21st, Assistant Secretary of State Huntington Wilson sent a private note to Ambassador Bryce expressing the "surprise and regret" of the State Department on learning that Carden was opposing British use of the commission, and asking Bryce to "elucidate the matter" to his government "and at the same time make its very real importance clear." On the same day, the American Embassy at London gave the Foreign Office a memorandum calculated to clear up what Knox thought was "some little misunderstanding" on the part of the British. And a few days later

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use the influence of General Luis Mena, the "most prominent" of the Nicaraguans "who are not in favour of the extension of American influence to the exclusion of all other." However, Martin went directly to President Díaz, and found the President himself to be in favor of a settlement, "in a friendly and informal manner," rather than through his own claims commission. See Carden's of September 26th, and Martin to Carden of September 30th in Carden's despatch of October 6th. F. O. 371/1058.

[1]Carden to Grey, September 18 and October 6, 1911. F. O. 371/1058.

Ambassador Reid personally called at the Foreign Office to boost the new commission.[1]

According to the American diplomats the British had no reason to fear using the commission. It was technically a Nicaraguan court, but its real aim was to safeguard litigants. The fact that two of the three commissioners would be Americans did not mean that the United States wanted "any exclusive advantage" in the matter of claims. The United States had insisted on such a composition, Reid professed, because "they were actuated solely by the desire to make it more acceptable to civilized nations, and to give it an infusion of . . . Anglo-Saxon justice."[2] And if the lure of Anglo-Saxon justice was not sufficient, Wilson's note to

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[1]Bryce to Grey, private, September 25, 1911, and enclosure Wilson to Bryce, private, September 21st; Philips to Grey, September 21st; Campbell's memorandum of September 25th of conversation with Ambassador Reid; Bryce's private telegram of September 26th. F. O. 371/1058.

[2]In his note of September 21st, Philips admitted that, if a denial of justice resulted from an award of the commission, diplomatic representations "might, of course, under appropriate circumstances, be made, and seemingly all suggestion of international arbitration could properly be reserved for such eventuality." As Judge Otto Schoenrich, the president of the commission later put it, the status of the commission was "peculiar." It was technically a Nicaraguan court, but was at the same time "a quasi-international tribunal." Reid was more straightforward when he admitted that it was "really American." Philips to Grey, September 21st and Campbell's memorandum of September 25th. F. O. 371/1058. Otto Schoenrich, "The Nicaraguan Mixed Claims Commission," The American Journal of International Law, IX, (October, 1915), 858-60.

Bryce bluntly pointed out that the United States expected British cooperation within its sphere of influence.

> Of course, the interests of British trade and of civilization generally must necessarily be on the side of the efforts this Government makes in Central America, --a part of the world where especially we should expect to count upon cooperation rather than opposition on the part of the representatives of Your Excellency's Government.[1]

The American pressure was particularly distasteful--and embarrassing--to the Foreign Office in that the State Department seemingly assumed that Carden was acting on his own initiative. In spite of Carden's attempt to work through Martin, the old charges of the British Minister's anti-Americanism were now revived. As early as April of 1911 Ambassador Reid had complained informally to Grey about the "anti-United States attitude of Mr. Carden." Grey seemingly did not mention Reid's complaint to the Foreign Office, but in September William Philips of the American Embassy asked Under Secretary of State Campbell if any action had been taken on it. When he delivered the note of September 21st, Philips told Campbell that the American government "could not help feeling" that London's views "were influenced to some extent at least by the hostility of Mr. Carden to all things American."[2]

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[1]Wilson to Bryce, private, September 21, 1911, in Bryce's of September 25th. F. O. 371/1058.

[2]Campbell's memorandum of September 20, 1911, and minutes by Spicer, Mallet and Grey. The Foreign Office had no record of Reid's complaint to Grey in April, but the

Carden had been a convenient scapegoat in the past in explaining away Anglo-American differences in Latin America, but now he had to be defended and the Foreign Office could do this only by admitting that their minister was acting on instructions from home.

While Grey and his subordinates were pondering over the reply to be made to the American inquiries, news arrived from Nicaragua that President Díaz had proposed a lump sum payment of £15,800 for all the British claims, with the British government to determine its distribution. Although this would mean a considerable scaling down of the claims of the two major British claimants--the London Bank of Central America and the San Salvador Railway Company--both Carden and the Foreign Office were in favor of accepting. The claims were probably inflated, and, as Mallet noted, a full settlement "would put an end to further discussion about the Commission." The railway company was somewhat reluctant to agree to the reduction, but by October 26th the Foreign Office was able to cable Carden that the British government accepted the Díaz offer.[1]

Foreign Secretary did recall that Reid "did speak to me very informally some time ago." Mallet found that the tone of Wilson's note to Bryce of September 21st was "not very pleasant & their assumption that Mr. Carden is opposing the commission on his own initiative should be dispelled." F. O. 371/1058.

[1]Carden to Grey, October 17, 1911. F. O. 371/1058. According to Carden, Díaz made this proposal rather than

In his reply to Reid explaining the British position towards the Commission, Grey made no mention of these independent negotiations, but their seeming success did enable him to avoid a direct British refusal to use the commission. The British government would "not put an obstacle in the way of reference by British subjects of their claims to the Commission," but on the other hand they could not accept it "as a bar to diplomatic intervention or eventual arbitration." As for Carden, Grey was "convinced" that his minister "was entirely free from any personal bias in the matter." The "misunderstanding" probably stemmed from the fact that Carden held a position "as the guardian of British commercial interests, which have suffered in the past few years." Grey assured the Americans that he did not attach "an exaggerated importance" to the minor difficulties that had arisen from time to time between Britain and the United States in Central America, and he was sure that "a little patience and goodwill" would smooth them over. It was a courteous reply, but the Foreign Secretary had made no promises to force British claimants to use the commission in the future, and he had made it perfectly clear that Carden had not been acting on

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entering into any "informal discussion" with Carden "presumably because he fears disapproval of the United States Government. . . ." Mallet's minute to Carden's of October 17th; Grey to Carden, October 26, 1911. F. O. 371/1058. See Carden's of October 21st for his suggested distribution of the money.

his own initiative:

> I am anxious that the State Department should realize that every step which Mr. Carden has taken has been on my instructions and if, at any time, his action has seemed in opposition to United States' views, it is not due to any personal feeling or to any hostile political intention either on his part or on mine, but to the obligation incumbent upon me to see that British trade and British claims are fairly treated.[1]

The British considered the Díaz offer to be a binding one. When Nicaragua, on December 9, 1911, sent Carden a circular on the Claims Commission it was accompanied with a covering letter saying it did not affect the President's proposal. The Foreign Office merely acknowledged the receipt of the Nicaraguan announcement, "taking note of the statement that the circular in no way affects the negotiations carried to a conclusion with Mr. Consul Martin for the settlement of the British claims."[2]

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[1]Grey's reply to Reid was originally dated October 19, 1911, but it was temporarily suspended, presumably due to the Díaz offer. After Reid sent another note to Grey on October 23rd explaining the commission, an amended version was sent. In the original draft the Foreign Office was going to take the line that arbitration of the claims would have to be used if direct negotiations failed: "Our feelings about the Mixed Commission are that, if we present our claims to a tribunal to which the claims of other nationalities are not presented and to which other foreign Governments have objected, British claimants would certainly not be satisfied and would probably in the long run demand arbitration as the only final and authoritative decision." The Díaz proposal made it possible for Grey to delete this paragraph, and give a more ambiguous answer. F. O. 371/1058.

[2]Carden To Grey, January 12, 1912; Grey to Carden, February 6th. F. O. 371/1306.

Unfortunately for the Foreign Office's hopes of wiping the Nicaraguan slate clean, the Nicaraguan President was presiding over a bankrupt government. After months of haggling over possible partial payment plans, it became clear that there would be no payment of any claims until Nicaragua could obtain enough funds to rehabilitate her finances. When the Knox-Castrillo Convention of 1911, providing for a customs receivership, failed to get the approval of the American Senate, Nicaraguan hopes for a large American loan also dwindled, and the Nicaraguan government was kept afloat only by smaller stopgap loans and arrangements with the American bankers and the State Department.[1] The mixed commission began acting upon claims in March of 1912, but Nicaragua had no funds to pay the awards. Thus there was not even any financial incentive for the British to change their mind and submit their recognized claims to the commission.[2]

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[1]Carden had assumed that the claims would be paid out of the anticipated American loan. See Carden to Grey of November 3, December 8 and December 30, 1911, F. O. 371/1058; and Carden's of January 16, March 13, April 17, and May 30, 1912. F. O. 371/1305. For the American loans and arrangements, see Munro, op. cit., pp. 192-204, 211-14.

[2]It is possible that the United States might have been able to get the British to refer the claims to the commission if Nicaragua had had money for an immediate payment. When the lump sum offered by Díaz was not forthcoming, Mallet began to consider a compromise with the United States by which the British would accept the commission in return for an American promise that the award would not be less than £15,000. But when he learned that the commission was not

The American military intervention in the Nicaraguan revolution of 1912 on behalf of the Díaz government was generally welcomed by the British as the American marines protected foreign lives and property.[1] But even this proof that the Americans were in dead earnest in their attempts to dominate Nicaragua brought no change in the British attitude towards the claims commission. When a new decree was promul-

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making immediate payments, the idea of compromise was forgotten. See Mallet's minute to Bryce's of November 11, 1911, and enclosed memorandum by Innes arguing that Britain should use the commission. F. O. 371/1058; Mallet's minute to Carden's of March 13, 1912; Carden to Grey, March 16th. F. O. 371/1305.

[1]There was no British naval activity in Nicaraguan waters during the revolution of 1912. Carden was on leave at the time, and neither Consul Haggard nor the British consul in Nicaragua requested a ship. There is no record of any appeals from the British to the Americans for protection, but the Foreign Office did advise British subjects to move into the areas occupied by American troops if danger threatened. After the revolution Consul Venables reported that foreign lives and property "received full protection" from the American troops "for which otherwise they could not have hoped." To Venables, the American intervention was "fortunate, and it is to be hoped that the American Government may now be all the readier to act in the same way in the case of future outbreaks occurring in these countries." See Haggard to Grey, August 27, 1912; Grey to Haggard, August 28th, and reply of August 31st; Venables' report of October 20th in Haggard's of December 3rd. F. O. 371/1308.

At the Foreign Office, Spicer's reaction was more tempered by the realization that British claims might be affected. The intervention was "a triumph" for the Americans even if their action was "barely justifiable even in a Central American Republic." The restoration of order "must be to our advantage," but Nicaragua "will find itself more than ever dependent upon the U. S. & we shall probably find great difficulty in dealing direct with the Nicaraguan Govt as regards British claims." Spicer's minute to Haggard's of December 3rd. F. O. 371/1308.

gated late in 1912 that all claims from the latest revolution had to be submitted to the commission, Britain notified Nicaragua that they could not accept it as the "sole means" of settling claims and were able to get another Nicaraguan promise for £4,000 for the new ones.[1]

Many small claims from British subjects were eventually handled by the Mixed Commission before it went out of existence in January of 1915,[2] and even the "diplomatic claims" recognized by Nicaragua in 1912 were finally scaled down by another American dominated commission before they were finally paid in 1919.[3] But at the time the Nicaraguan recognition of the British claims gained by independent negotiations was viewed by the British as evidence of the wisdom of dealing directly with the small Central American nations.

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[1]See F. O. to Haggard, December 31, 1912. F. O. 371/1305; U. S., Foreign Relations, 1915, pp. 1118-19. See also the memorandum of the Latin American Division of the State Department in U. S., Foreign Relations, 1913, pp. 1040-42.

[2]For a breakdown of the 7,911 cases handled by the commission by nationality, see Schoenrich, loc. cit., p. 861. See also Issac Cox, Nicaragua and the United States, 1909-1927 (Boston, 1927), pp. 712-13.

[3]Nicaragua finally paid its claims partly from the "canal fund" received from the United States under the Bryan-Chamorro Treaty and partly with special bonds. The settlements were handled by the American controlled "Commission on Public Credit" set up in 1917. After prolonged haggling, the reluctant British eventually accepted £9,000 in cash and £4,000 in bonds for the claims recognized by Nicaragua in 1912. See U. S., Foreign Relations, 1919, pp. 659-71. See also, Cox, op. cit., pp. 722-32.

This was not the type of cooperation that the State Department expected from Great Britain and the other European nations which had negotiated directly with the Nicaraguans. But the British were to make an even more startling show of independence in Central America before the Taft administration was over, for by the end of 1912 the United States and Britain were involved in an even sharper "misunderstanding" over the Guatemalan debt.

Considering the reluctance usually shown by the British government to extend strong diplomatic aid to the holders of Latin American bonds, it is ironic that the most striking instance of such help during this period occurred at a time when the debt default situation was better than it had been in decades. In 1911 Costa Rica left the list of defaulting states when the bondholders accepted a refunding arrangement negotiated by Minor Keith, and, although Nicaragua defaulted on its external debt in January of 1912, the Council of Foreign Bondholders was able to reach an agreement with the American bankers that was accepted by the bondholders in June of 1912.[1] These settlements helped the Foreign Office by

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[1]For the Costa Rican settlement, see C. of F. B., Annual Report, 1911, pp. 14-18, 117-27; correspondence with the F. O. in 371/944 and 371/1175; Munro, op. cit., pp. 235-38, and Rippy, Caribbean Danger Zone, p. 236.

For the 1912 agreement on Nicaragua, see C. of F. B., Annual Report, 1912, pp. 15-18, 262-68, and Munro, op. cit., pp. 195-97, 201-202. After the Nicaraguan default the

reducing the number and the intensity of the Council's complaints, but as the British government had played no part in the negotiations they did nothing to enhance the reputation of the Foreign Office as the defender of British interests. In any event, the remaining debt problems were more than sufficient to keep alive the vexing question of aid to the bondholders.

One of these problems that continued to plague the Foreign Office was the old question of the supposedly inequitable settlement in Santo Domingo. The Council of Foreign Bondholders had certainly not forgotten the matter--by their own count they had sent 29 letters to the Foreign Office on the subject from 1906-1910--and their persistent complaints did lead to some new inquiries by the Foreign Office as to the attitude of the Dominican government. The reply was as expected: there were no grounds for any claims by the British bondholders as the claims of the San Domingo Improvement Company had been settled in full, and the matter was solely one between the British bondholders and the now defunct company. The Council of Foreign Bondholders of course continued to reiterate its contention of discrimination and to blame the United States rather than the Dominican

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Foreign Office did give the Council some "very mild support" by making inquiries at Washington, but they took no part in Cooper's negotiations. See correspondence in F. O. 371/1307.

government which "was a mere puppet in the matter."

According to Grey's policy stated in 1910, arbitration was to be used to clear up such problems when negotiations failed. Was this such an instance? Did the bondholders have a sufficiently good case? And above all would the United States support arbitration? Before approaching the Council, the Foreign Office decided to have Bryce sound out the State Department as to whether the United States would back such a request and see that the award was carried out if it was favorable to the British bondholders.[1]

The request for arbitration was never made. Doubtful of the merits of the case, Bryce did not think that the United States would be cooperative. According to the British ambassador, the matter was mentioned unofficially to the State Department, "but without eliciting or indeed pressing for an expression of opinion," and Bryce wanted the Foreign Office to peruse a report on the Santo Domingo debt drawn up by Alfred Innes before they decided to attempt to reopen the case.

The Innes report of March 1911 ended any serious consideration of arbitration. Based on the State Department's detailed Hollander study of 1905, it was a forceful attack

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[1]Mallet to C. of F. B., February 10, 1911; Cooper to Mallet, February 15th; Grey to Bryce, February 20th. F. O. 371/1132.

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on the Council's position. The British Councilor found that an "examination of the history of the Dominican debt is like raking in a muck-heap," and that there was hardly one of the financial transactions associated with it "with which an honourable man would care to have his name associated." Innes thought the activities of the Improvement Company were beneath contempt, and even if Englishmen had not taken a direct part in Dominican finances the bondholders deserved little sympathy. The worthless nature of the Dominican bonds "must have been apparent to any but a simpleton and the best that can be said for the voluntary investor in such trash is that he is gambling on the chance some Power may intervene, and that he may make a large profit." Nor was Innes convinced of the honesty of the Council's arguments that the bondholders were independent from the Company at the time of the settlement. In any event, they had received more than the bonds were worth and it was highly improbable that any arbitration could be successful.[1]

After reading the report from Washington, Mallet was convinced that if Innes's account was "approximately accurate" the bondholders did not deserve any sympathy or support.[2]

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[1]Bryce to Grey, March 11, 1911, and enclosure Innes to Bryce of March 10th. F. O. 371/1132.

[2]See minutes by Mallet and Spicer to Bryce's of March 11, 1911. F. O. 371/1132. Spicer was still in favor of arbitration after reading the Innes memorandum but he thought

There is no evidence that the Foreign Office ever suggested arbitration to the Council, nor did the Council ever ask for such a solution. Instead the bondholders' organization tried to deal directly with the American government by sending their Secretary, James Cooper, to Washington. In April of 1911 Cooper discussed Santo Domingo and other debt problems with Thomas Dawson and other officials in the State Department's Latin American Division. The meeting produced no change in the American view of the Dominican settlement, and the only result was an acrimonious dispute between the Foreign Office and the Council over a charge by Cooper that the discussion with Dawson had supposedly shown the inadequacy of past measures taken by the Foreign Office and the British Embassy in Washington to defend the rights of the bondholders.[1]

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that the Council "would shrink" from it, and Mallet believed that "the award would almost certainly be against us."

[1]Cooper went to Washington to get the assistance of the United States on behalf of the British holders of Ecuador's railway bonds which were in default at the time, and to negotiate with the New York bankers interested in the Costa Rican settlement. The State Department gave Cooper the "satisfactory assurances" on Ecuador that he wanted, and both debt problems were settled by 1912. See C. of F. B., Annual Report, 1911, pp. 15-16, 26-27; and Annual Report, 1912, pp. 20-21.

The specific issues that caused the dispute between the Council and the Foreign Office were the problems of Santo Domingo, Honduras, and Guatemala. Cooper raised all of these issues during his talks with the State Department officials on April 7 and 8, 1911, and, as he complained to the President of the Council, he "came away under the distinct impression that the support given by His Majesty's Government to

In August of 1911 the Council was still vowing that they would not rest until justice had been secured, but as far as the Foreign Office was concerned the affair was consigned to a well-deserved oblivion.

Another problem that could not be completely ignored was the still unsettled question of the Honduran debt. In January of 1911 the United States was finally able to complete its negotiations with Honduras for a treaty aimed at control of the customs, and the following month Morgan and Honduras signed a loan contract providing for a refunding of

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the interests of British investors in foreign Bonds was entirely inadequate." Cooper admitted that it was difficult "to produce chapter and verse" to defend his general assertion, but Dawson's remarks on these three cases aroused his ever-present suspicions. For example, the discussion on Santo Domingo gave Cooper the "impression" that Dawson "knew nothing of any support" by the British government for the British bondholders. Bryce defended the Embassy by citing the "great efforts" made by Howard in 1907 and his own personal representations to Root. All of the "proceedings" regarding bondholders' claims "have been closely and constantly watched and due representations made on all proper occasions. Whoever knows the organization of the United States State Department will not be surprised that the subordinate branches of it should not know, or should have forgotten, representations made to the higher officials with whom the Embassy is in touch." Avebury to Mallet, April 26, 1911, with copy of Cooper to Avebury, April 26th; Mallet to Avebury, May 4th; Avebury to Mallet, May 23rd; Bryce to Grey, June 30th, with enclosed memorandum by Innes; F. O. to Avebury, July 26th. F. O. 371/1288.

Cooper seemingly thought that the State Department had promised to give the Council some support on Santo Domingo, but Doyle later told Innes that he had made it "very plain" to Cooper that the United States would exert no pressure for any modification of the settlement. See C. of F. B. to F. O., August 5, 1911. F. O. 371/1288; and Innes's memorandum of January 4th in Bryce's of January 8, 1912. F. O. 371/1305.

the Honduran debt.[1] Because of opposition in both Honduras and the United States to the Taft administration's plans for the little Central American nation, neither the treaty nor the loan contract ever went into effect. The failure of American "dollar diplomacy" in Honduras also meant the failure of British hopes for a settlement for the bondholders, but the uncertainty caused by the American attempts continued to agitate both the Council of Foreign Bondholders and the Foreign Office.

In December of 1910, the State Department had promised to use its "good offices" with Morgan on behalf of the British bondholders' request for interest on their bonds as compensation for the six-month extension of the original agreement with the American banker. But it soon became obvious that the State Department was not prepared to exert any undue pressure on the bankers that might jeopardize their grand plans. When early in 1911 the Foreign Office told Bryce to remind Huntington Wilson of his promise, Innes reported that Wilson had been unsuccessful in his attempt to get Morgan to agree to the Council's proposal. Wilson promised to try again, but he held out little hope, claiming that "Morgan does not care for the whole job, and would be glad to

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[1]Munro, op. cit., pp. 223-25. The U. S.-Honduran treaty is printed in U. S., Foreign Relations, 1912, pp. 560-62, and in C. of F. B., Annual Report, 1911, pp. 229-30.

get rid of it" as there was "no money in it" and he was "only taking it up to please the State Department."[1]

Morgan's loan contract of February 15, 1911, contained no provision for any interest on the old bonds, and, when Innes talked to the head of the Latin American Division of the State Department, William Doyle, a few days later, the American made it quite clear that the problems of the British bondholders had not been one of his primary worries in his attempts to facilitate the signing of the contract. Doyle had raised the question of interest once again, but the representative of the bankers "had given him no indication of whether he was willing to consider the request or not."

> Mr. Doyle frankly told me that he had not pressed the point. He had, he said, spent a week in New York negotiating the contract, and had met with many difficulties. He had, therefore, been more anxious to get the contract through than to raise questions on behalf of the bondholders.[2]

The Council of Foreign Bondholders of course was viewing the matter in quite a different light. The six-month extension period ended on February 4th, and the Council was frankly at a loss to decide its next move. Nor was the Foreign Office particularly helpful in its advice. Grey was

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[1]Grey to Bryce, January 25, 1911; Innes to Mallet, February 14th. F. O. 371/1056.

[2]Innes memorandum of February 17, 1911, in Bryce to Grey of February 17th. F. O. 371/1056.

doubtful that Honduras would ever accept anyone's scheme for the payment of her debts and believed that arbitration was "the only chance of getting anything for our people." Spicer thought that the Council should stick to the Morgan agreement as long as there was any chance of its success, while Carden warned that any new conditional agreements between the Council and Morgan would be disastrous to British influence in Honduras because of the unpopularity there of the American plans. In the end Grey followed Mallet's suggestion that it would be best to give no advice at all, and on February 23rd he told the Council that "the situation in Honduras makes it impossible to judge of the best course to pursue with regard to the conversion of the debt."[1]

When the Council learned from Morgan a few days later that any interest was out of the question and that the whole arrangement would fail if the Honduran bonds could not be obtained at 15% of face value, a new plan was hatched to get some compensation for the delay. The Council now suggested

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[1]C. of F. B. to F. O., February 1, 1911, and minutes; Carden to Grey, February 20th, and minutes; F. O. to C. of F. B., February 23rd. Carden was willing to see if Honduras would renew his agreement of 1909 but he was not in favor of doing so "if their consent is only intended to be used as a lever for bargaining" with Morgan. On February 22nd he reported that a "confidential agent" of Manuel Bonilla had called on him to urge the Council not to make a new arrangement with Morgan, but all of this was too vague for the Council. See Carden's of February 20th, and February 22nd; C. of F. B. to F. O., February 24th. F. O. 371/1056.

that one-half of any money saved from old bonds not presented during the conversion should be turned over to the participating bondholders.[1] The new proposal fared no better than the first. The Foreign Office again asked the State Department to use its good offices in support of the Council's request, and Cooper of course discussed the matter with Dawson and his colleagues during his visit to Washington in April. Cooper came away from the State Department with the impression that the American officials "would do everything in their power to see that the Bondholders receive compensation." According to Innes the British embassy received "the same kindly expressions of good will," but both approaches were equally barren of results.[2]

It should have been obvious to the Council that appeals to the American government were useless, but as the

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[1]C. of F. B. to F. O., March 13, 1911, and enclosed correspondence between the Council and Morgan-Grenfell and Co. of February 27th and March 1st, 8th, and 13th. F. O. 371/1056.

[2]Avebury to Grey, March 16, 1911; Grey to Bryce, March 22nd; Bryce to Grey, April 12th; Cooper to Avebury, April 26th; Innes memorandum in Bryce's of June 30th. F. O. 371/1288. Knox's note to Bryce of April 19th, promising his good offices with Morgan "in so far" as the State Department "can properly do so," is in Bryce's despatch of June 12th. F. O. 371/1056. According to Doyle, Cooper's impression that the United States was going to aid the bondholders in Honduras was as wrong as his belief that any promise had been made regarding Santo Domingo. See Innes memorandum of January 4, 1912, in Bryce's despatch of January 8th. F. O. 371/1305.

Foreign Office would promise no more than Carden's "unofficial assistance" to the bondholders if they "on their own responsibility" reopened direct negotiations with Honduras, there seemed little else to do.[1] On October 18th, Cooper wrote directly to Knox, complaining that it was unreasonable to expect the British bondholders to wait without any information as to the prospects of the Morgan agreement being carried out in the near future, and pointing out that the Council was "constantly receiving complaints from the Bondholders, who insist that the United States Government should not have imposed their scheme on them unless they saw their way to bring it to a successful conclusion."[2]

Cooper's letter resulted in nothing but more ill-feelings. Doyle deliberately delayed answering the letter for six weeks to show the State Department's disapproval. When Innes talked to him on January 4, 1912, Doyle "denied

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[1]C. of F. B. to F. O., September 25, 1911, and reply of October 9th. Acting Consul General Armstrong in Tegucigalpa was told by the Honduran Minister for Foreign Affairs "in the greatest secrecy" that Honduras wanted to renew the Carden plan of 1909 in order to evade the Morgan proposal. Armstrong's reply was non-committal, and the Council wanted more than "unofficial" aid from the British government in light of American policy in the past. See Carden to Grey, September 7th; Armstrong to Carden of September 5th in Carden's despatch of September 21st. F. O. 371/1056.

[2]Cooper to Knox, October 18, 1911, in C. of F. B. to F. O., December 7th. F. O. 371/1056. See also C. of F. B., Annual Report, 1911, pp. 30-31.

emphatically" that the State Department had pressed for the adoption of the particular terms of the Morgan contract, and asserted that the Council had accepted it "entirely on their own initiative" without any interference on the part of the American government.[1] By 1912 no one wanted to take responsibility for the bondholders' acceptance of the ill-fated Morgan plan in 1909, neither the Council, the Foreign Office, nor the State Department.

Early in February of 1912 the collapse of the Morgan arrangement finally became official. Morgan withdrew his Honduran loan agreement and on February 20th the New York bankers notified the Council that they had been "obliged to withdraw from this business" because neither the United States nor Honduras had ratified the necessary treaties. "After waiting 2 1/2 years for the consummation of the American scheme," the Council complained to the Foreign Office, "the bondholders hear that it has ended in nothing."[2] Not only had there been no compensation for the delay, but now there seemed little chance for any settlement whatsoever. There was little the Council could do independently, for the withdrawal of Morgan did not mean that the American government

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[1] Innes memorandum of January 4, 1912, in Bryce's of January 8th. F. O. 371/1305.

[2] C. of F. B. to F. O., February 16 and 20, 1912. F. O. 371/1307.

had given up its plans for the financial control of Honduras. When Morgan withdrew, equally unsuccessful attempts were already underway for a refunding loan by a New Orleans group.[1] In the end, Taft and Knox were unable to bring to fruition their own policy in Honduras, but their attempts at "dollar diplomacy" had also frustrated any hopes for an independent British settlement.[2]

Throughout the inconclusive Honduran debt negotiations, the Foreign Office had never reached a point at which they were willing to give any strong support to the bondholders. Grey's suggestion of arbitration was never followed up, and neither the Foreign Office nor the Council made any attempt to revive the Carden scheme of 1909 in the face of the American plans and the uncertainty of the political situation within Honduras. But unlike the case of Santo Domingo, the Honduran affair did have a significant effect on the thinking of the British statesmen regarding the desirability of cooperation with the United States in Central America. Not only had American "good offices" been barren of results, but, above all, the Taft administration had been unable to

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[1]For the other American attempts, see Munro, op. cit., pp. 231-35; and correspondence in F. O. 371/1307.

[2]The Honduran external debt remained in default until 1926. By this arrangement Honduras agreed to pay a total of $6,000,000 in 30 years. The total under the Carden plan of 1909 would have been £1,600,000 or $8,000,000 in 40 years.

carry out one of its cherished policies in the area. Even if the bondholders were not completely happy with the results, Roosevelt at least produced a settlement in Santo Domingo. Taft produced nothing in Honduras, and this was to condition the reaction of the Foreign Office to the dispute of the bondholders with Guatemala.

Despite the continuing complaints from the Council of Foreign Bondholders, the Foreign Office had done nothing to help the Guatemalan bondholders since the collapse of the efforts of Lansdowne and Villiers to apply pressure to President Estrada Cabrera in 1902. Guatemala not only remained in default on the external debt, but Estrada Cabrera continued to use for other purposes the special tax on coffee exports that had been pledged to the British bondholders. From 1903 to 1908 Guatemala used the coffee duty to get some sizable loans from a San Francisco syndicate represented by Adolfo Stahl, an American banker in Guatemala City.[1] While the British bonds went unserviced, Estrada Cabrera made punctual payments to both his American and German creditors. The Council was outraged, but the Foreign Office was cautious, and by the beginning of the Taft administration there had been no official protests from the British government.[2] The

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[1]The Stahl loans to Guatemala totalled from ten to twelve million dollars. Rippy, Caribbean Danger Zone, p. 144.

[2]There had been no protest to the F. O. over the

ever-active Carden had been pressing Estrada Cabrera to resume payment on the debt, but during the early years of his stay at Guatemala the British minister succeeded only in getting vague promises and verbal assurances.

The situation was further complicated in 1909 and 1910 by the refunding projects put forward by three competing groups of American financiers. Carden correctly divined that President Estrada Cabrera had no serious intention of accepting any of the American proposals, and in July of 1910 the Guatemalan Congress rejected all of the projects.[1] However,

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first advance in 1903, and, when the Council complained in 1905 about the proposed loan that was made in 1906, the F. O. found it "inexpedient" to approach either the U. S. or Guatemala. The last contract with Stahl was signed in 1908, and, although Mallet was tempted to send an official protest, Carden was in favor of waiting to see if the Guatemalan Congress would take any action on the matter. See the correspondence in F. O. 371/407 and 610.

The Council was also unhappy over the fact that copies of the last two contracts were deposited in the American legation at Guatemala, and gave the syndicate the right to ask for protection from the American government in case of default. When Cooper later complained about this to the State Department in 1911, he was told that the deposit "had been obtained in a more or less improper manner on the pretext of safe deposit," and that the American government "had formally repudiated" any connection with the loans. In January of 1912, Doyle told Innes that the State Department was "much offended" by the statement in the Council's report for 1910 that the contracts were made "apparently with the approval and support of the United States Government." According to Doyle, his government in fact "strongly disapproved of them." The offending phrase was left out of the Council's report for 1911. C. of F. B., Annual Reports for 1910, p. 211, and 1911, p. 220. Cooper to Avebury, April 26, 1911. F. O. 371/1288; Innes memorandum of January 4, 1912, in Bryce's despatch of January 8th. F. O. 371/1305.

[1]The three competing groups were J. and W. Seligman and Co. and James Speyer; Minor Keith; George W. Young and

the negotiations continued, causing the inevitable British fears that an unsatisfactory settlement might be forced upon the bondholders. None of the American groups had consulted the Council of Foreign Bondholders, and no one knew whether the American government was interested in any of the projects. It was obviously a delicate situation, but Estrada Cabrera's stalling tactics and the continuing pleas for help from the Council produced another problem that the Foreign Office could not ignore.

By the end of 1910, Carden was already suggesting that the British government make "strong representations" to Guatemala, and the type of approach that he had in mind was based on a new general policy he had devised towards helping the bondholders. Disenchanted with debt conversions, Carden thought the British should limit their action regarding defaulting governments to representations for a complete or partial resumption of interest payments, "holding entirely aloof from any refunding schemes, which are usually as futile in their results as they are detrimental to the real interests of the bondholders."[1] The Foreign Office was too

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Co. and the Windsor Trust Company. See Munro, op. cit., pp. 238-40; Haggard to Grey, October 15, 1910, and Carden to Grey of February 10th. F. O. 371/837.

[1]Carden to Spicer, December 10, 1910; Carden to Grey, December 14th. Carden also suggested some checks on "the specious and often disingenuous" representations made in the

pragmatic in its approach to the problem to accept Carden's advice as a general rule, but the minister's analysis did become crucial in determining the British policy towards Guatemala.

Believing that the bondholders should decline any settlement in Guatemala involving a reduction of either principal or interest, Carden proposed that the British use Estrada Cabrera's negotiations with the American bankers as one of the proofs that Guatemala could afford to resume servicing the British debt. He suggested sending a formal note asking the President what provisions he was now prepared to make towards paying the current interest on the 1895 debt, and warning that "other steps" by the British government might be forthcoming. The Foreign Office realized that Carden's approach might lead to a possible conflict with the United States, for the British minister wanted to cite the proposed American project of George W. Young and Company and the Windsor Trust Company as one that would be harmful to the rights

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prospectuses for Latin American loans. He wanted the Committee of the Stock Exchange in London to refuse quotations on bonds unless there was proof that the country could carry out its obligations. F. C. 371/1055.

Carden tried to reconcile his advice to avoid all refunding schemes and his own former efforts in Honduras on the grounds that Honduras had declined for many years to recognize their obligations because of the fraudulent conditions of the original issue. Thus as the amount of the debt was a fit subject for negotiations, the intervention of the British government in that case was "natural and proper." Carden to Spicer, December 30, 1910. F. O. 371/1056.

of the British bondholders. London had no definite information as to whether Washington was pushing the Young project, but if Carden's advice were to be followed the British government would be urging Estrada Cabrera to reject a scheme put forward by American financiers within the American "sphere of influence." However, Mallet could see no other alternative, and hopeful that "our opposition may lead to some compromise," he authorized Carden to send his note in February of 1911.[1] Thus the Foreign Office took the first step towards committing themselves to the cause of a fair settlement for the bondholders.

A past master at delay, Estrada Cabrera continued to take refuge in verbal promises that there would be no future alienation of the coffee revenues and that the interest payments would be resumed as soon as possible.[2] But the indefatigable Carden was equally determined to get a more definite arrangement, and by June he succeeded in securing a written proposal from the Guatemalan President to the Council of Foreign Bondholders. Estrada Cabrera's offer was based on a suggestion by Carden. When the Guatemalan President alleged

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[1]Carden to Grey, December 30, 1910; January 6, 1911; January 27th and minute by Mallet; F. O. to Carden, February 17th. F. O. 371/1056. Carden's note was sent on February 25th.

[2]Carden to Grey, April 25, 1911; May 3rd; May 5th; May 17th; and despatch of April 28th; F. O. 371/1056.

that his pressing financial obligations might make it necessary for him to accept one of the unwanted American refunding schemes, Carden, thinking that it was "so evidently" in "the best interests of the Bondholders that the Government should not be forced into a corner," suggested that the issue of some new bonds might solve the problem. Estrada Cabrera thought that £600,000 in new bonds would be sufficient to handle his creditors if the Council would consent to the issue and get permission from the London Stock Exchange to quote them as part of the 1895 debt. In return, he would be able to assign again the coffee revenues to the bondholders and resume interest payments on the December 31st coupons, giving deferred certificates in return for the coupons in arrears.[1]

Although they were sceptical of Estrada Cabrera's good faith and apprehensive that the United States might intervene as in Honduras, the bondholders decided to accept the Guatemalan offer,[2] but in November the news arrived in London that the Guatemalan president had reversed his

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[1]Carden to Grey, June 20, 1911; Carden to Grey, June 23rd, with enclosure of Estrada Cabrera to Carden of June 17th; C. of F. B. to F. O., June 26th; Carden to Grey, July 3rd; F. O. to C. of F. B., July 12th. F. O. 371/1056.

[2]The committee of the Guatemalan bondholders met on July 13, 1911, and the Council accepted the bases of the proposal on July 21st. C. of F. B. to F. O., July 13th; Carden to Grey, July 17th; C. of F. B. to F. O., July 21st. F. O. 371/1056.

position and was not prepared "at present" to sign any contract relating to the foreign debt. The Council of Foreign Bondholders found Estrada Cabrera's "deliberate affront" to Carden "incredible," and as usual they wanted advice and help from the Foreign Office.[1]

Once again the Foreign Office was forced to decide how far they would go in aiding the bondholders.[2] Both Carden and Andrew Bickford, the representative at Guatemala City chosen by the Council to sign the contract, were convinced that Estrada Cabrera's refusal was the result of American pressure and fear of the United States, but no one at the Foreign Office was in favor of dropping the matter. The case was so "flagrant" and the British claim "so reasonable" that Spicer was sure that Grey's arbitration formula of 1910

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[1]Carden to Grey, November 2, 1911; C. of F. B. to F. O., November 6th and 15th. F. O. 371/1056.

[2]Up to this point the Foreign Office had been very careful to avoid any commitment. They refused to allow Carden to be designated as a "trustee" to receive the coffee revenues, and would not allow him to sign any agreement on behalf of the Council. When the Council said that the bondholders had been "largely influenced" to accept Estrada Cabrera's offer by Carden's statement that he thought that the President was sincere, Grey replied "that it is understood that in communicating Mr. Carden's opinion with regard to this proposal His Majesty's Government incur no responsibility themselves towards the Council." C. of F. B. to F. O., June 26, 1911, and reply of June 30th; C. of F. B. to F. O., July 13th, and reply of July 18th; C. of F. B. to F. O., August 31st, and reply of September 4th. F. O. 371/1056. Following Carden's recommendation, the Council chose Andrew Bickford, the manager of the "Banco Americano de Guatemala," to act as their representative.

should now be used. Perhaps this would force the American government "to come into the open," and the Foreign Office could find out to what extent the American bankers were receiving official support. After consultation with Carden, Mallet decided to notify Estrada Cabrera that the British would consider his proposal at an end if the December coupons were not paid. Then, if the Council desired, the Foreign Office would demand restitution of the coffee revenues within a specified time limit. If this did not succeed, they would demand arbitration.[1]

When the coupons were not paid, Carden, on January 1, 1912, carried out the first step of the plan and demanded restitution of the bondholders' revenues within one month.[2]

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[1]Carden to Grey, November 2, 1911, and Spicer's minute; Carden to Grey, November 3rd, and minutes by Spicer and Mallet; C. of F. B. to F. O., November 22nd, and enclosure of Bickford to Cooper of November 3rd; Carden to Grey of November 26th, and minutes by Spicer and Mallet; F. O. to C. of F. B., November 30th and reply of December 5th.

Mallet was a bit irritated at his subordinates' assumption that "we would do all sorts of things to make Guatemala pay up" if it were not for the United States, but he did think the British case was a strong one and "it should be well rubbed in." Mallet's minute to Carden's of November 26th. F. O. 371/1056.

[2]F. O. to Carden, December 30, 1911. F. O. 371/1056. Carden to Grey, January 3, 1912. Carden's note of January 1st is in his despatch of January 2nd. Carden was quite happy at Estrada Cabrera's failure to pay the December 30th coupons, for now "he has to face the music, and whatever happens he cannot come out of the difficulty with credit. On the other hand the fact that we have taken action in the matter will have an excellent effect throughout Central America in

Following Carden's advice, the Foreign Office had not approached the State Department for support on this first demand, but the British embassy in Washington had been briefed on the matter and the reports from Bryce and Innes seemed to indicate that the Americans would not be adverse to British pressure on Guatemala. On January 4th, Innes raised the subject during his talk with Doyle at the State Department, and Doyle "expressed unreservedly his indignation" at Estrada Cabrera's "knavery" in playing off the British and the American groups against each other. The Guatemalans could pay their debts, but they would never accept any scheme "until obligated to."

> The United States Government, he said, were not in negotiations with Guatemala on the question of its finances, nor did he think that any Treaty such as had been negotiated with Honduras and Nicaragua necessary in this case. All that the United States Government desired was to see a fair settlement of the claims. The Government, Mr. Doyle declared had taken no part whatever in the recent negotiations with American financiers, to each of whom Cabrera had said in turn that their scheme was the only one which did not contain fatal defects.[1]

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showing that we at last intend to stand up for our rights." Carden to Spicer, private, January 2, 1912. F. O. 371/1305.

[1]Grey to Bryce, December 14, 1911. F. O. 371/1056; F. O. to Carden, January 9, 1912, and reply of January 13th; Bryce to Grey, January 8th, and enclosure Innes memorandum of January 4th. F. O. 371/1305.

Both Bryce and Innes thought that Doyle's denial of any official American intervention should be accepted and that Carden's suspicions were unfounded, but Bryce admitted he didn't know what the American minister at Guatemala might

Doyle's statement of the American position was accurate as far as it went, but in actual fact the State Department was more interested in the situation than his words indicated. The American government had been neutral regarding the three American projects, but this did not mean that they were indifferent to the prospects of an American refunding of the Guatemalan debt. As early as 1910 the State Department had been in correspondence with the bankers, and had instructed the American Minister to Guatemala to encourage an arrangement with an American syndicate rather than a European one. Thus at the time of the Carden "ultimatum" in January of 1912 the American bankers were still actively negotiating with the knowledge that they had a degree of support from their government. The State Department urged the bankers to take advantage of the situation and used the British demand as a means of putting pressure on the Guatemalan government for an American financial reorganization.[1]

Estrada Cabrera of course was stalling everyone. He had once told Carden that the discussions with the American

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have said "off his own bat." Carden admitted that he had no "positive proof" that Washington had forced Estrada Cabrera to renounce his proposal, but he still argued that this was a belief "shared by most well informed people here." Carden to Grey, February 20th. F. O. 371/1305.

[1]See Munro, op. cit., pp. 241-43. Carden claimed that Minister Sands had favored the Seligman proposal in his urgings to Guatemala. Carden to Grey, February 20, 1912. F. O. 371/1305.

bankers about debt consolidation could be "regarded as so much waste paper,"[1] but he continued to prolong them as a means to fend off the British demands. His reply to Carden's note of January 1st was vague and contained no specific assurances.[2] Carden wanted to follow up his note with a prompt demand for arbitration, but once again the Guatemalan President's tactics succeeded. The British pressure was suspended, not because of any reluctance on the part of the Foreign Office, but as a result of the indecision of the Council of Foreign Bondholders caused by an offer from Minor Keith, one of the American bankers negotiating with Guatemala.

On January 19th, the Council informed the Foreign Office that Keith's representatives in London, supposedly "acting with the approval" of the United States and Guatemala, had made a definite offer to the British bondholders. The Council did not like all of the details of the Keith offer--it called for a surrender of all of the interest arrears as well as a reduction of the interest rate--but it would have maintained the existing principal intact, and it held out the lure of better security and the advantage of the implied support of the American government. The Council told Keith's

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[1]Carden to Grey, August 7, 1911. F. O. 371/1056.

[2]Carden to Grey, January 28, 1912; Carden to Grey, January 29th, contains a copy of Guatemala's reply of January 26th. F. O. 371/1305.

representatives that they could not negotiate at that time, but, as they told the Foreign Office, they were prepared to recommend acceptance of the offer by the bondholders if some agreement could be reached on the interest arrears. They didn't want to "embarrass" Carden, but was it possible for the Foreign Office to join hands with the State Department and combine the efforts of Carden and Keith?[1]

Carden was more furious at the Council than embarrassed. He found it "scarcely credible" that the Council would even think of considering a private proposal at a time when success depended on convincing Estrada Cabrera that the British would not recede from their demands. Was it not obvious that the American government would prefer that nothing be done "except through their own people and on their terms," and that the Guatemalans wanted to do nothing at all? "If the Council had deliberately intended to play into the hands of both they could not have been more successful." The bondholders' case in Guatemala was a good one, but if they opened negotiations for a reorganization of the debt with either the Guatemalan government or third parties they would "condone the act of spoiliation" by Guatemala which alone justified the intervention of the British government. "How is it possible," he complained, "to help people who behave in such a

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[1]C. of F. B. to F. O., January 19, 1912; C. of F. B. to F. O., February 9th. F. O. 371/1305.

way? And what position does it place us in?"[1]

Impressed by their minister's analysis, but wary of giving any advice that could make them responsible for the bondholders' actions, the Foreign Office told the Council that they were free to follow whatever course they preferred, but that it was "quite impossible" to combine the efforts of Keith and Carden. As the Keith proposal was "absolutely incompatible" with the plan to demand arbitration, the Council had to choose between two alternatives. If they wanted arbitration, the Foreign Office would make an official demand to Guatemala and ask the United States to support it. If they wanted to negotiate with Keith, Grey "can do no more than ask the United States Government unofficially to do what they can to further the arrangement."[2]

This was not a choice that the Council was anxious to make. If they chose negotiations with Keith and they were unsuccessful, would the Foreign Office then support arbitration? Were there any reasons for assuming that a demand for arbitration would be successful? With the Foreign Office refusing to answer such "hypothetical questions," the Council decided to try the direct approach again and send

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[1]Carden to Spicer, private, February 2, 1912; Carden to Grey, February 3rd. F. O. 371/1305.

[2]F. O. to C. of F. B., February 7, 1912; F. O. to C. of F. B., February 19th. F. O. 371/1305.

Secretary Cooper to the United States.[1]

Although Cooper was successful in his negotiations with the New York bankers for an arrangement regarding the Nicaraguan debt, his April visit to the United States did little to clear up the Guatemalan dilemma. He was disappointed when he missed meeting Keith in New York, and his talks with other bankers with Guatemalan schemes netted him little information. When he visited the State Department, the results were equally nil. One of Huntington Wilson's subordinates merely told Cooper that the American government was not participating in the present negotiations with Guatemala. The Council's Secretary was so frustrated that he even made an unsuccessful attempt to get advice from Ambassador Bryce.[2]

Thus by the summer of 1912, the British pressure on Estrada Cabrera had been suspended due to a combination of the Council's indecision and the Foreign Office's acceptance of the Carden policy of remaining aloof from negotiations for debt conversion. The rather ironic situation had been reached in which the usually reluctant Foreign Office was ready to give the bondholders strong support, but the Council was unhappy with the type of support offered. Relations between

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[1]C. of F. B. to F. O., February 28, 1912, and reply of March 4th; C. of F. B. to F. O., March 5th, and reply of March 11th; C. of F. B. to F. O., March 13th. F. O. 371/1305.

[2]Bryce to Grey, April 22, 1912. F. O. 371/1305.

the Foreign Office and the Council had reached one of their periodic low points. As Cooper told Bryce, the Council had no confidence in Carden, who was "not a business man." But in Mallet's opinion, the problem was that Cooper "is of very inferior capacity," and the President and Vice-President of the Council were too old. "The Bondholders interests are not well looked after & we get the blame."[1]

Carden's business talents may have been open to question, but no one could ever suggest that he did not take seriously his role as defender of British interests in Central America. His plans for Guatemala had been temporarily stymied, but Carden was already hard at work on a new plan that he hoped would solve all Anglo-American difficulties in the area. In 1909 he had received little encouragement from London when he suggested the idea of an actual agreement with the United States for the protection of British interests within the American "sphere," but Knox's tour of Central America in 1912 gave the British minister an opportunity to revive his plan in a more precise form.

The American Secretary of State arrived at Guatemala City on March 14th, and by the afternoon of the 16th Carden had been able to arrange a meeting. After making the usual denial of any unfriendly attitude towards the United States,

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[1]Bryce to Grey, April 22, 1912; Mallet's minute to Carden to Spicer of February 2nd. F. O. 371/1305.

Carden immediately launched into a detailed recitation of his past woes. Encouraged by Knox's friendly manner, the British minister recounted the story of his Cuban frustrations and of the American opposition to his Honduran settlement of 1909, and he went on to expound his views on the problems of the British bondholders and American reciprocity. Knox of course defended the American record and avoided any promises, but at least on the matter of the British bondholders, Carden was sure that his arguments had brought Knox to regard the subject "in a totally new light."

Knox's knowledge of some of the cases seemed to Carden "most superficial," but the Secretary of State radiated such interest and spoke in such a friendly and sympathetic tone that Carden thought the time had come to suggest a general Anglo-American understanding to cover all possible conflicts of interest in Central America.

> I therefore invited Mr. Knox's attention to the great advantages which the United States Government would derive in the pursuance of their new policy in Central America from being in thorough accord with His Majesty's Government, whereby these Governments would be prevented from playing off English against American influence. And I pointed out how few were the directions in which our interests might be expected to clash, and how easy it would be to anticipate any such possible differences by arriving at a friendly and permanent understanding on the subject.

According to Carden, Knox "welcomed the idea most warmly and said that something of the same sort had already suggested itself to him." It would not be possible to discuss

the matter more fully at Guatemala, but Knox told Carden that he intended to take it up "promptly and actively" when he returned to Washington. And on learning that Carden was going to England on leave soon, the Secretary of State invited him to stop at Washington for more detailed talks.[1]

Carden's suggestion for a general agreement had been made entirely on his own initiative, but the Foreign Office was more than willing to allow him to follow up at Washington. Sperling found it hard to believe that Knox was "as ignorant of Central American affairs as he professed to be," but everyone thought that Carden had made a good presentation of the British case. If Carden could arrange an agreement with Knox, Mallet saw no reason why the British government "should not consider it in the most sympathetic spirit." "Mr. Carden has had his chance & has made excellent use of it," Grey noted.[2] The Anglo-American "entente" had not been a particularly happy or productive one in Latin America, and the Foreign Office was ready to grasp at any straw.

Carden came to Washington prepared with an outlined proposal but when he talked to Knox on June 11th he found that the Secretary of State's receptiveness to a specific

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[1]Carden to Grey, telegram of March 19, 1912, and despatch of March 18th. F. O. 371/1307.

[2]Minutes to Carden's despatch of March 18, 1912; Grey to Carden, March 21st. F. O. 371/1307; Grey to Bryce, April 15th, and to Carden, April 15th. F. O. 420/256.

agreement had suffered a sea change from Guatemala City to the American capital. Although Knox's manner was "quite as friendly" as it had been in Guatemala, "the idea of a definite general agreement" on Central America "did not seem to appeal to him as strongly as it certainly did then." Carden was able to get only one interview with the Secretary of State, and, after an exchange of letters, the British Minister left for home.

What, if anything, had been accomplished? For the British bondholders, Carden tried to get an official recognition by the American government that their rights would be protected in any American financial scheme in Central America. The British government would furnish Washington with the necessary information on existing loan contracts and defaults, and the American government would inform any American banking group that appealed for support of the conditions of the prior loans "so that they may be duly respected." In addition, the United States was to recognize the sum agreed upon by the Council and Morgan in 1909 "as a fair basis for a cash settlement" of the Honduran debt.

Knox replied that any "special recognition" of the rights of the bondholders in Central America by the United States was "scarcely necessary" as the American government would never support a scheme that was unfair to the British investors, and he evaded the Honduras issue on the grounds

that he did not have enough knowledge of the true value of the bonds. The most Carden could obtain was Knox's assurance that "legitimate British interests" would receive "all friendly consideration" by the State Department in their examinations of proposed financial plans.

In order to maintain the open door within his bailiwick, Carden also suggested that the United States declare that it had no intention of negotiating Central American reciprocity treaties "for the purpose of obtaining special advantages" over Great Britain. At Guatemala Knox had assured Carden that Cuba had been a special case, and that in his own public references to reciprocity he had only been thinking of the advantages that the Central American republics would derive. But when Carden now argued at Washington that some formal assurances of this would allay British apprehensions for the future, the whole matter received a cold reception. As Knox put it in his letter to Carden of June 15th, the British minister's remarks on the subject were hypothetical and "do not commend themselves to me as adapted to lead to any useful discussion at the present time."

The only promise that Carden got from Knox that appeared to be "sufficiently clear and explicit" was his assurance that the United States was willing to use its good offices in support of British demands for arbitration. It was hardly a binding pledge, but in light of British plans for

Guatemala, Knox's words did seem promising:

> With relation to the question of American good offices in connection with just British contentions growing out of claims and grievances, without any more formal or specific understanding I think that your Government can safely count upon us to hold ourselves ready in a proper case to afford such good offices as might be desired, whether in the direction of arbitration or of some other mode of settlement.[1]

Carden was naturally disappointed at his failure to get a general agreement with the United States. Although he summed up the results of his talks with Knox as "not unsatisfactory," the British Minister had succeeded in doing little more than airing British grievances in more detail. Carden's failure caused no great stir at the Foreign Office for they had long suspected that the United States would balk at any formal arrangement in Central America, and Grey thought that "what Sir L. Carden has done on his visit to Washington is very much to the good." But there was some disappointment in London as well. When asked if Knox should be thanked, Mallet told Spicer that he could find no reasons to do so. "I hardly think we need thank Mr. Knox who has done nothing but give Sir L. Carden a short interview & has not committed himself in the smallest degree." However, even Mallet thought that the meeting "may do some good," and the Foreign Office did have some grounds for expecting a degree of American diplo-

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[1]Carden's letter to Grey of June 29, 1912, from London, with enclosures: Carden to Knox, June 11th, and Knox to Carden, June 15th. F. O. 371/1307.

matic support in Central America in the future.[1]

An opportunity to test Knox's assurances of "good offices" was not long in coming. As Cooper's trip to the United States had been unsuccessful regarding Guatemala, the Council of Foreign Bondholders was now ready to follow the lead of the Foreign Office. After arriving in London, Carden bluntly told Cooper that if he asked for assistance again from the government "he must leave matters in our hands & not allow himself to be led off into independent negotiations." There was little else that the Council could do, and, on July 24th, they formally asked Grey to demand arbitration. On August 7th, the Foreign Office instructed Vice-Consul Haggard at Guatemala City to make the demand, and at the same

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[1]Minutes by Spicer, Mallet and Grey to Carden's letter of June 29th. Mallet thought the results of Carden's talks were "rather disappointing" on the claims but he realized that Knox "could not have been expected to accept the article about the reciprocity agreements."

Carden also talked with Doyle on March 11th about a British claim against Honduras that arose out of the murder of a British subject in 1910. The British had insisted on an impartial trial of the local government official accused of the crime and sent a cruiser to Honduras to investigate the case. Although President Davila allowed Consul Haggard to name the judge, the official was acquitted and the Hondurans refused to pay compensation. When Carden brought up the case in 1912, Doyle said that the United States would support a British demand for arbitration, "failing which they would rather welcome than otherwise any action however strong which we might take for the enforcement of the claim." However, when the Foreign Office asked for American support for arbitration, the State Department's reply was far from vigorous and the case was still unsettled by the end of 1912. See the correspondence in F. O. 371/839 and 371/1306.

time ordered Innes to remind the State Department of "the views expressed" to Carden in June and to ask for their support "by any means which they may consider appropriate."[1]

The reaction of the State Department was encouraging. In May Knox had already used the British pressure to warn Guatemala of the necessity of a speedy financial settlement,[2] and now, after Innes's request for support, Huntington Wilson again upbraided the Guatemalan minister. When told by Wilson that the time had arrived when the American government "could no longer interpose its counsel to influence Great Britain to desist in demanding the immediate arbitration of just British claims," the Guatemalan begged Wilson to ask the British to consent to a delay of twenty days. The Acting Secretary of State agreed, but he warned the Guatemalan minister that the

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[1]C. of F. B. to F. O., July 24, 1912, and minute by Spicer; F. O. to Haggard of August 7th and to Innes of August 7th. F. O. 371/1305.

[2]On May 23, 1912, Knox told the Guatemalan minister at Washington that unless Estrada Cabrera concluded a settlement for a financial reorganization before the end of the current session of the Guatemalan Congress, the United States "may find it impossible further to endeavor to dissuade the Government of Great Britain from adopting such means for the enforcement of its claims as under all the circumstances may be justifiable." Estrada Cabrera made the usual insincere promises in reply. See U. S., Foreign Relations, 1912, pp. 500-501. The Foreign Office did not know of this American pressure until September, when the American minister at Guatemala told Haggard that Knox had instructed him to send a note to the Guatemalan government in May. The American claimed that the note was a result of Carden's talk with Knox on March 16th. Haggard to Grey, September 7, 1912. F. O. 371/1305.

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United States would "find itself absolutely unwilling further to intervene in the matter" if the promised settlement was not concluded within the twenty-day period. In his aide memoire of September 13th, Wilson even referred Guatemala to the part of the Hague Convention of 1907 that stated that the principle that force would not be used for the recovery of contract debts was not applicable when the debtor nation refused an offer of arbitration.[1]

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[1]Bryce to Grey, September 25, 1912; Bryce's despatch of September 30th contains copies of Wilson's note to Innes of September 21st; State Department aide memoire to Mendez of September 13th; and reply of September 18th. F. O. 371/1305. See also U. S., Foreign Relations, 1912, pp. 501-505.

Instead of accepting the "doctrine" first put forward by Luis Drago of Argentina at the time of the Anglo-German coercion of Venezuela that the public debt of an American state could never be the occasion for the use of force or the occupation of the territory of an American nation by a European power, the United States sponsored the "Porter Proposition" at the Hague Conference of 1907: "The Contracting Powers agree not to have recourse to armed force for the recovery of contract debts claimed from the government of one country by the government of another country as being due its nationals. This undertaking, however, is not applicable when the debtor state refuses or neglects to reply to an offer of arbitration, or, after accepting the offer, prevents any compromis from being agreed on, or, after the arbitration, fails to submit to the award." The Latin American delegates were unhappy with this compromise. Venezuela refused to sign and seven other Latin American states made reservations. Guatemala was a signatory of the convention, but she was one of the states that joined Argentina in the reservation that ordinary contracts were arbitrable only after local remedies were exhausted and in cases of a denial of justice, and that public loans "with bond issues constituting the national debt cannot in any case give rise to military aggression nor to the occupation of the soil of American states." See Edwin Borchard, The Diplomatic Protection of Citizens Abroad (New York, 1916), pp. 318-21. For Root's

The American response to the British request was seemingly all that could be desired, but in actual fact the cooperation was illusory for the two governments were aiming at two different goals in their pressure on Guatemala. The State Department of course wanted a general financial settlement through an American banking group, while the Foreign Office was following Carden's advice to avoid any such arrangement. The British agreed to the twenty-day delay, but Bryce was told to "make it clear" to the Americans that the British government did not desire "a settlement of any kind" but rather the restitution of the coffee revenues to the bondholders.[1] The two goals were not compatible, and before there could be any true cooperation either the British or the Americans would have to abandon their plans. By now the Foreign Office was committed to restitution or arbitration, and future cooperation depended on the State Department carrying out its threat to stop interceding in behalf of the Guatemalans.

As expected, Estrada Cabrera soon made it clear that he had no intention of referring anything to arbitration. Guatemala had never denied the validity of the claims of the

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part in the Porter Proposition, see Jessup, op. cit., II, 73-74.

[1]Grey to Bryce, September 26, 1912; Bryce to Wilson, September 29th. F. O. 371/1305. U. S., Foreign Relations, 1912, pp. 504-505. See also Carden's letter to Sperling of September 20th. F. O. 371/1305.

British bondholders, he argued, and his government was doing its best to effect a settlement. What was there to arbitrate? Carden was prepared for that particular ploy. "The point at issue," the Foreign Office replied, "is not the settlement of the debt but the right of the Guatemalan Govt to retain the revenues pledged to the Bondholders and the damages due from the Guatemalan Govt for their breach of contract and retention of those revenues for the past 13 years." The reference to damages was intended "to scare" the Guatemalans, but Estrada Cabrera was a past master at the game of evasion. Haggard could see no indications that the Guatemalans were taking the British demand seriously, and he suggested "that the time has now arrived for bringing pressure of another sort to bear in support of our very reasonable demands."[1]

The Foreign Office now began to consider seriously the idea of using force against a Latin American state for the first time since the Agnes Donahoe controversy with Uruguay in 1905. The old British belief in the efficacy of gunboat diplomacy had been dormant rather than dead. As Sperling argued, the simplest plan would be to give the Guatemalans a fixed time in which to accept arbitration, and, if that failed, to send a man-of-war to the most convenient port

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[1]Haggard to Grey, September 17, 1912; Grey to Haggard, September 21st, and minute by Sperling; Haggard's despatch of September 17th. F. O. 371/1305.

to collect the customs until the interest arrears were paid.

> We should of course have to inform the U. S. Govt and in view of their assurances might in normal circumstances count on their (probably somewhat grudging) assent. At the present moment however one or other of the parties in the U. S. might, for electioneering purposes, raise the cry that the Monroe Doctrine was threatened. It would therefore be safest to consult Mr. Bryce on that point and, if he thinks that such a danger exists, to postpone any mention of forcible action until after the elections in the U. S.

Junior clerks such as Sperling were always more aggressive in their suggestions than were their superiors who had the responsibility of making decisions, but this time the idea of using force received considerable support. As Spicer pointed out, Bryce could give the United States "the most categorical assurances, if necessary, that we have no territorial designs upon that country." The perfidy of Estrada Cabrera so impressed Assistant Under Secretary of State Sir Walter Langley that he was willing to run the risk of creating a precedent that the Council of Foreign Bondholders could use against the Foreign Office in other cases of Latin American defaulting states. Although it was "unusual" for the Foreign Office "to take such strong action" on behalf of the bondholders, Langley thought that the circumstances in the Guatemalan case "differentiate it from others," and if Estrada Cabrera was allowed to continue to violate British rights and ignore the arbitration demand, "we shall cut a poor figure" and future British representations in Latin

America "will carry little weight."

Grey was seemingly the only one who had any qualms over such strong action in behalf of people so foolish as to invest in bonds of "those dishonest & unstable little States." The Foreign Secretary reserved his opinion on the question of force, and pointed out that he would have to consult the Cabinet before taking any action, but he was willing to consult Bryce and to ask Carden "what steps would be most quickly effective if we decided to go beyond diplomatic measures." His telegram of October 17th to Bryce asking for advice specifically referred to "the ultimate possibility of coercive measures, which might perhaps take the form of the temporary seizure of a custom-house."[1]

Carden of course was quite happy with the course of events, and his advice could hardly have been surprising. If Estrada Cabrera could be convinced that Britain would use force against him, Carden was sure he would yield before any measures had to be taken. Two cruisers should be sent to Puerto Barrios; the commanding officers would then go to Guatemala City and with the British representative made "a peremptory verbal demand" for the restitution of the coffee revenues; if this failed marines would then land and occupy

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[1]Minutes by Sperling, Spicer, Langley, Nicolson, and Grey to Haggard's despatch of September 17, 1912, received at the F. O. on October 5th; Grey to Bryce, October 17th. F. O. 371/1305.

the customs house at Puerto Barrios.[1]

As usual Ambassador Bryce was very cautious, and, while he did not oppose the use of force outright, he obviously hoped that it could be avoided. Not only would it be unwise to mention the possibility to the United States until after the elections, but coercion would be undesirable as long as the Panama Canal tolls controversy "remains acute." Would it not be best now merely to point out to the State Department unofficially that the twenty-day period was over and refer them to the paragraph on the Hague Convention in Wilson's aide memoire to Guatemala of September 13th? Surely the United States would then be willing to put pressure on Guatemala "for the sake of avoiding fresh sources of trouble in Central America." The Foreign Office had no objections to Bryce's plan. On October 24th Haggard was merely told to send a note to Estrada Cabrera defining the points that Britain wanted to arbitrate, and the Foreign Office sat back to await the American reaction to Bryce's informal representations.[2]

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[1]Carden's memorandum of October 21, 1912. F. O. 371/1305.

[2]Bryce to Grey, October 20, 1912; Grey to Haggard, October 24th; Grey to Bryce, October 24th. F. O. 371/1305. Bryce's note to Wilson of October 25th is in U. S., Foreign Relations, 1912, p. 505.

The specific points of arbitration demanded were: 1) Does a government have the right to alienate revenues pledged

At this point the divergent goals of the British and American governments came out into the open. The Seligman-Speyer group of American bankers was still negotiating with Guatemala, and once again Estrada Cabrera appealed to the State Department to restrain the "premature" British demands as a general settlement was imminent.[1] When Mr. Kerr of the British Embassy talked to J. Reuban Wright of the State Department's Latin American Division on the following day, October 26th, he found the American very reluctant even to talk about the question of arbitration. Instead Wright expounded on the "keenest interest" that the State Department had in the success of the Seligman-Speyer plan. Kerr had "some difficulty" in getting Wright "to stop talking about this plan and in bringing him back to the question of arbitration," and the American continued to be evasive. The United States preferred a general settlement to arbitration and hoped that the British would cooperate. Would the United States support arbitration if the British bondholders did not like the Amer-

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as security for the issue of a loan on a foreign market and apply them to other purposes without the consent of the bondholders? 2) Can that government retain the use of the revenues for its own benefit? 3) Can that government allege that the revenues are not free, that is, repledged to a third party, when an official demand is made for restitution? These three points were outlined by Carden in a private letter to Spicer on September 20th.

[1]Guatemalan Legation to State Department, October 25, 1912. U. S., Foreign Relations, 1912, p. 506.

ican plan? Wright hoped that this problem would never arise, but if it did the American government "would have to reconsider" the "whole question from that standpoint."[1]

This was hardly the answer that the British expected after Wilson's warning to the Guatemalans in September. Spicer and Mallet agreed with Carden that the bondholders had to have the coffee revenues restored before they could advantageously negotiate with the American bankers. The Council too had learned its lesson, and, when Seligman, on November 6th, asked the bondholders for their approval in advance to the American refunding scheme, the Council replied that the interests of the bondholders had been placed "unreservedly" in the hands of the British government and that they were "unable to entertain any outside proposals whatever."[2]

The Foreign Office decided to stand firm and to continue to press the United States for support. On November 11th, Bryce was told to express to Knox the British disappointment at being asked to suspend their action again after being encouraged by Wilson to expect active support from the United States. The past history of debt negotiations in

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[1]Bryce to Grey, October 29, 1912; Kerr's memorandum of October 26th in Bryce's despatch of October 30th. F. O. 371/1305.

[2]Carden's memorandum of November 2, 1912; C. of F. B. to F. O., November 6th, and minutes by Spicer and Mallet. F. O. 371/1305.

Guatemala and Honduras had to be considered, and the present American proposal "does not appear to offer a fair prospect of a satisfactory solution." The British position was still restitution or arbitration and they hoped the United States would cooperate.[1]

Knox's reply of December 3rd made it perfectly clear that in the American view it was Great Britain not the United States that was supposed to cooperate in Central America. The American plan was calculated to benefit everyone with interests in Guatemala, not only the British bondholders as would be the case in the restitution of the coffee revenues. The American plan was a fair one--the British would receive new 4% bonds at par for their present holdings--and the security was better. The British bondholders had just cause for complaint against Guatemala, and the United States wanted to help the British government, but, Knox argued, if the American government "is asked to assist the creditors of Central American states, it feels that they should be willing to consider favorably whatever equitable assistance it is most convenient for the United States to render them."

As everyone would benefit from the American plan, Knox would find it "surprising and regrettable" if the British government should maintain its "apparently uncompromising

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[1]Grey to Bryce, November 11, 1912. F. O. 371/1305. Bryce to Knox, U. S., Foreign Relations, 1912, p. 507.

attitude" because of past discouragements. The chances for the success of the refunding scheme would be "excellent" if the Foreign Office would cooperate. If an agreement was reached, Knox promised his "best efforts" to see that Guatemala signed and ratified it within a reasonable period of time. If the American government was unable to do this, they would then support the British demand for restitution.[1]

Knox's defense of the American scheme and his conditional offer of support made little impression on the British. Bryce and Innes in Washington were the only ones that tended to favor cooperation with Knox, but at the Foreign Office the reaction was completely negative. Carden was still in London successfully defending his policy, and by now he was preaching to the converted. "I think we must stick to our guns," Mallet advised, and, to Spicer, it seemed "that the time has come to consider whether we will not take action in our interests apart from the U. S. . . ." Although Grey was becoming even more reluctant to consider the use of force to collect debts, his instructions to Bryce of December 23rd still followed the previous line: the British government was interested only in restitution or arbitration, and the Foreign Office still hoped for the friendly offices of the United

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[1]Knox's memorandum of December 3, 1912, is in Bryce's despatch of December 5th, F. O. 371/1305, and in U. S., Foreign Relations, 1912, pp. 508-10.

States as they wished "to avoid other measures."[1]

Knox and Wilson continued to argue their case and apply pressure on the Foreign Office through the British Embassy at Washington and the American Embassy at London. Once again the argument of "pre-eminent" American interests was brought to bear. On January 6th, Knox sent Bryce a copy of the American bankers' preliminary loan agreement that had been signed late in December and asked him to "strongly urge" London to accept it, "pointing out the deep concern of this Government in the carrying out by this means of its broad policy with regard to Central America where its interests are necessarily of predominant importance."[2] The following day, the American Chargé at London, Irwin Laughlin, was instructed to urge Grey to study the contract "and to consider the question upon a broad basis of international policy." The United

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[1]Bryce urged careful consideration of the American proposal in his despatch of December 5, 1912, and Innes's memorandum of the same date told of the "good points" of the proposal. See Carden's memorandum attacking the proposal, and minutes by Spicer, Mallet, and Grey; and Grey to Bryce, December 23rd. F. O. 371/1305. For Bryce's note to Knox of December 30th, see U. S., Foreign Relations, 1912, pp. 510-11.

[2]Knox to Bryce, January 6, 1913. F. O. 371/1583. U. S., Foreign Relations, 1913, p. 557. According to Innes, Wilson was "anxious" and "irritated" by the British refusal to consider the Seligman plan and had to be dissuaded from preparing a much stronger note. See Bryce to Grey, January 10th. F. O. 371/1583. See also Knox's instructions to the London Embassy of December 6, 1912, in Foreign Relations, 1912, p. 508; and Mallet's memorandum of January 4, 1913, on his conversation with Laughlin in F. O. 371/1583.

States expected the British government to consider the matter "from a broader and friendlier viewpoint than appears to have been the case hitherto, when doubtless the importance attached to the subject has not been clearly understood."

> In the course of your conversation it will doubtless occur to you to give point to the attitude of this Government by the discreet suggestion that the British Government would doubtless be amazed if in some country correspondingly within a sphere of special British interest the Government of the United States should press arbitrarily for a specific solution of a question involving American citizens without any regard for the broad interests and policies of the State, in such a case Great Britain, in whose sphere of special interest the controversy had arisen.[1]

Wilson now even denied that any promise had ever been made to support the British. When Innes argued that Britain was entitled to something more in the fulfillment of the American promise of September than the substitution of another scheme "as an afterthought," Wilson "indignantly repudiated the idea that any such engagement had been entered into." According to his rather tortuous reasoning, the United States was justified in refusing to support the British

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[1]Knox to Laughlin, January 7, 1913. F. O. 371/1583. U. S., Foreign Relations, 1913, pp. 558-61. It is not clear whether it ever "occurred" to Laughlin to make this "discreet suggestion." When the American Charge' explained the loan agreement to Grey he said he was unfamiliar with the subject but that he had to carry out his instructions. Grey replied that he "envied him his unfamiliarity, as unfortunately I had been too familiar with this subject or others like it." Grey to Bryce, January 16th. F. O. 371/1583. Laughlin's account of the conversation is in U. S., Foreign Relations, 1913, p. 564.

because the Seligman scheme was the same one on which Guatemala had been negotiating at the time she had requested the twenty-day delay. Now that a contract had been negotiated, the circumstances under which he had threatened to abandon the Guatemalans were no longer the same. The negotiations had taken longer than anticipated, but the United States was under no obligations to support the British demands if the Foreign Office was uncooperative.[1]

The American arguments and appeals continued throughout most of January, but the Foreign Office refused to budge. Grey's replies were polite and replete with the usual assurances of friendly intentions on the part of the British government, but the British position remained the same.[2] Cooper told Carden that the Council of Foreign Bondholders was "quite content" to leave the matter in the hands of the Foreign Office, and the Foreign Office in turn continued to maintain the convenient fiction that it could not advise the bondholders to accept the American arrangement. In any event, how could an "expiring administration" in the United States

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[1]Bryce to Grey, January 10, 1913. F. O. 371/1583; and the instructions to Laughlin of January 7th in U. S., Foreign Relations, 1913, pp. 558-61.

[2]See Knox to Laughlin, January 13th, 14th, and 18th; and replies of January 15th and 16th. U. S., Foreign Relations, 1913, pp. 562-64; memorandum of January 19th from Laughlin to Grey, and Laughlin's memorandum of January 22nd. F. O. 371/1583.

bring the Guatemalans around in a few weeks when they had failed for three years?[1] On January 27th, in a memorandum to Laughlin, Grey sent his final refusal to the American government. With the Guatemalans putting forward unacceptable amendments to the bankers' contract at the same time, it was finally obvious to the State Department that the loan arrangement was dead, and on February 7th Knox told the American ambassador at Guatemala that there would be "no further action" for the present.[2] "Dollar diplomacy" in Guatemala had failed.

The next move was up to the British. The time had come to decide on what "other measures" would be taken. Although they were unaware of it, the State Department had contributed to a major modification in Carden's plans for Estrada Cabrera. Grey had never committed himself to the use of force, and the American refusal to back the British demand for arbitration brought an end to the discussion of seizing a customs house. As there now seemed to be "insuperable objections" to such coercive measures, the only alternative that Carden could suggest "is to threaten to break off diplomatic relations and to lay the whole correspondence before

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[1]See minutes by Sperling, Spicer, and Mallet to Laughlin's memorandum of January 19th. F. O. 371/1583.

[2]Grey to Laughlin, January 27, 1913. F. O. 371/1583; U. S., Foreign Relations, 1913, pp. 565-67; Munro, op. cit., p. 244.

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Parliament for their decision." As Estrada Cabrera would be uncertain as to what the British would do next, Carden thought that Guatemala would still yield. The British minister's alternative plan was accepted, and Grey was more than willing to follow Mallet's advice that it would "be better to avoid sending cruisers to Puerto Barrios, as it will probably create excitement in the United States of America."[1] As Guatemala had already formally rejected arbitration, Grey, on February 11th, instructed Carden to put his new plan into effect when he returned to Guatemala City.[2]

At long last the way was clear for a serious confrontation with Estrada Cabrera. The type of threat was not all that Carden had wanted, but the British minister was finally to have an opportunity to try the "independent" approach in Central America that he had so long advocated. Carden must have enjoyed his meeting with the Guatemalan President on

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[1]After the arrival of the text of Knox's note of December 3, 1912, Grey noted: "The weak point in our position is that we (at any rate I am) are reluctant to use force to collect debts. People who invest in bonds of these faithless republics must do so at their own risk. I prefer to reserve the use of force for some case such as ill treatment of a British subject." Minute to Bryce's despatch of December 5th in F. O. 371/1305. Knox's reply of January 6th led to Carden's alternative plan. See Carden's minute of January 13th, and Mallet's minutes to Bryce's telegram of January 9th. F. O. 371/1583.

[2]Grey's letter to Carden of February 11, 1913. Guatemala's refusal to arbitrate was reported by Haggard on January 10th. F. O. 371/1583.

April 4th, for he began by congratulating Estrada Cabrera for evading the clutches of the American bankers, and pointed out "how useful" to him the British government had been in declining to cooperate. Now the only objection to restoration of the bondholders' rights was gone "since Mr. Knox's financial policy in Central America did not find favour with the new Government of the United States."

Estrada Cabrera was "somewhat surprised" at Carden's "line of argument," but he was probably more impressed by the minister's allusion to "certain steps which I trusted I might not be obliged even to refer to." He needed three weeks for the "certain formalities" of disposing of the American plans that were still before the Guatemalan Congress, but then he positively promised to resume payment on the external debt, either by a simple restoration of the coffee revenues or according to the terms of the abortive proposal of 1911 to the bondholders.[1]

Of course it was not to be that easy. Estrada Cabrera first tried to bypass Carden by means of the old maneuver that had saved him in 1902. On April 16th the Guatemalan legation in London asked the Foreign Office to suspend its action until a "Diplomatic and Financial Commission" could come to London. The idea was flatly rejected. The only

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[1]Carden to Grey, April 5, 1913; and Carden's despatch of April 7th. F. O. 371/1583.

result of the maneuver was a request from Carden for a warship to be sent to the area to take him to Jamaica if it became necessary to break off diplomatic relations. On the 22nd Carden reminded the President of his promise to make a decision by the 26th, and the most Estrada Cabrera could get was a two day delay.[1]

On April 29th, Estrada Cabrera told Carden that he had decided to revert to the 1895 agreement and restore the coffee revenues to the bondholders, and Carden agreed to ask the Council of Foreign Bondholders to agree to a suspension of the sinking fund and a postponement on the arrears of interest. The following day the President tried to insist on an outright cancellation of the past interest, but Carden told him that it was hopeless.[2]

However, the Guatemalan President still had hopes of evading the settlement altogether. On May 1st, the Foreign

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[1]Guatemalan Legation to Grey, April 16, 1913; F. O. to Carden, April 18th and reply of April 19th; Carden to Spicer, private, April 21st; F. O. to Admiralty, April 22nd; F. O. to Guatemalan Legation, April 22nd; Carden to Grey, May 13th. F. O. 371/1583.

The F. O.'s reply of April 22nd to the Guatemalan legation was a curt one in order to help Carden impress upon Estrada Cabrera that the British were not trying to bluff. Guatemala was told that Carden had full instructions on how to handle the matter, as well as instructions "as to the action he is to take if the President continues to adhere to his past attitude."

[2]Carden to Grey, April 28, 1913; C. of F. B. to F. O., May 1st; Grey to Carden, May 1st; Carden's despatch of May 13th. F. O. 371/1583.

Office learned from the new British Ambassador at Washington, Sir Cecil Spring-Rice, that Guatemalan agents had arrived there "a short time ago" and were trying to get support from the American government. The news only spurred Carden into applying more pressure on the Guatemalans. He drew up a draft agreement and secured another promise from the President that it would be signed by May 10th. When Andrew Bickford, agent of the Council, found that the Guatemalan Minister for Foreign Affairs wanted to negotiate on further conditions, Carden was adamant. The agreement was to be concluded by May 10th at 6 PM or he would deliver an ultimatum giving the Guatemalans five days to comply or he would close the legation and leave aboard a British warship.[1]

Estrada Cabrera's last hope was more intervention by the United States. In his telegram of May 1st, Spring-Rice reported that the Guatemalan agents "seem to have confined themselves to press interviews." In actual fact, one of the agents and the Guatemalan Minister at Washington had already tried to stir up the State Department by telling them that Carden had threatened that a warship would be sent "to compel the collection of the coffee tax for the bondholders" if restitution was not made by the end of April. Bryan instructed the American Chargé in Guatemala, Hugh Wilson, to investi-

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[1]Spring-Rice to Grey, May 1, 1913; Carden to Grey, May 7th; Carden's despatch of May 13th. F. O. 371/1583.

gate the situation, and the Guatemalan Minister for Foreign Affairs told Wilson that Carden had not only threatened to break off relations but that "his Government will adopt the necessary measures to collect the revenues." Estrada Cabrera also told Wilson of the rebuff given the Guatemalan Minister at London. Apparently the only information that Carden gave Wilson during the first week of May was the news that a British cruiser had arrived at Belize in British Honduras.[1]

Had Carden made stronger threats to the Guatemalans than his reports to the Foreign Office indicated? Or were the Guatemalans deliberately trying to arouse the United States by exaggerating the British warnings? In any event, the State Department had no way of knowing exactly what the British were planning. In the exchanges during the last months of the Taft administration, the British had never specified what other measures would be taken, and the Foreign Office did not notify Bryan of the coming action in anyway whatsoever.

As Carden's deadline drew near, Estrada Cabrera asked the State Department to mediate with the British for another extension of the time limit. On May 12th, Bryan responded with a request to the Foreign Office to postpone their action

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[1]Spring-Rice to Grey, May 1, 1913. F. O. 371/1583. Acting Secretary of State to Wilson, April 28th; Wilson to Bryan, April 29th; Wilson to Bryan of May 1st and May 6th. U. S., Foreign Relations, 1913, p. 568.

until the first of June as the State Department was "convinced" that Guatemala was making an "earnest effort" in the direction of a settlement. There may have been some lingering hopes in the State Department that Guatemala would still accept an American arrangement, but Bryan seems to have been motivated primarily by some uneasiness over the reaction of the American public. On the day that the State Department made its request for a postponement, Bryan promised Spring-Rice "to urge [the] Guatemalan Government to meet their engagements, but spoke of [the] sensitiveness of public opinion here," and the British Ambassador suggested that the Foreign Office tell the Americans exactly what measures against Guatemala were proposed.[1]

The British undoubtedly would have refused to extend the time limit, but they were spared the necessity of making a decision, for by the time that the American request arrived Estrada Cabrera had finally capitulated. The Guatemalan President had stalled until the last moment, and the ultimatum had finally been necessary. When he heard nothing further from the Guatemalans by the 10th, Carden sent the threatened note. It arrived at the Guatemalan foreign ministry at the same time as Bickford, who had been hurriedly called

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[1]Bryan to Laughlin, May 12, 1913. U. S., Foreign Relations, 1913, p. 569. Spring-Rice to Grey, May 12th and May 13th. F. O. 371/1583.

for at the last minute. Carden withdrew the note; the agreement was signed at midnight of the 10th; and Estrada Cabrera approved it on the 12th.[1]

The British coercion of Guatemala caused scarcely a ripple of interest in the general publics of the United States and Britain. The Mexican revolution and Panama Canal tolls held center stage in the area and almost completely overshadowed the collapse of the Roosevelt "corollary" in the little Central American state. But for those with interests at stake, the affair was far from insignificant. Needless to say, the Council of Foreign Bondholders was "deeply grateful" for the action of the British Government.[2] After

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[1]Carden's telegrams of May 11, 12, and 14, 1913; Carden's despatch of May 13th, with copies of ultimatum of May 10th and the signed contract. F. O. 371/1583.

The text of the agreement is printed in C. of F. B., Annual Report, 1913, pp. 180-81. The coffee revenues were returned to the bondholders and the interest payments resumed. Deferred certificates were exchanged for the coupons in default. The sinking fund was suspended for four years, and after four years the Council and the government were to negotiate as to the means of paying the interest arrears.

The Guatemalans were still telling the Americans of their intention to conclude an arrangement with the American bankers, but the most ironic commentary on the whole affair came from the Guatemalan Minister for Foreign Affairs. After the signing of the British arrangement, he told Chargé Wilson "that the amount necessary to cover the current interest would not only not cripple the financial affairs of Guatemala, but would be so light a burden that it would be scarcely felt." Wilson found his tone "quite optimistic, a curious contrast to the attitude previously taken by both himself and the President in discussing the matter with me." Wilson to Bryan, May 13th. U. S., Foreign Relations, 1913, p. 569.

[2]C. of F. B. to F. O., May 16, 1913; see also their letter of June 12th. F. O. 371/1583.

years of criticizing the passivity of the Foreign Office, the South American Journal applauded the "new departure" in policy which "should have a far-reaching effect on other defaulters."

> Although not entirely without precedent, for the British Foreign Office has on one or two previous occasions interested itself in the concerns of British investors in foreign Government loans, still the action of this country in bringing strong pressure to bear on President Cabrera is more or less an innovation, and distinctly a step in the right direction.[1]

The Journal was so surprised by the action that it completely misinterpreted the situation by assuming that the American government must have approved and aided the British venture.[2]

Carden and the Foreign Office of course knew better. Although he was to suffer another defeat at the hands of the Americans in Mexico before the year was out, Carden, for a brief moment, was basking in the role of a prophet vindicated. "This is a triumph for Sir L. Carden," Grey noted when the arrangement was published, "for it is his advice on which we have acted & his forecast has come true."[3] What had the

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[1]Editorials of May 17 and 24, 1913. The South American Journal.

[2]On May 17th the Journal wrote about "the tacit approval" of the United States, and the news that the matter "is receiving the more or less open countenance of the Washington Government and the approval of the American press." By the 24th the Journal was convinced of "the approval of the Washington Government" and of their aid to the Foreign Office. Ibid.

[3]Grey's minute to Carden's telegram of May 12, 1913. F. O. 371/1583.

incident meant? Carden was sure that the success was "clearly attributable" to the fact that the negotiations had been carried on directly with Guatemala, "without invoking the intervention or good offices of the United States Government, which have up to now only served to confuse issues and to give rise to conflicts of interests." The capitulation of Guatemala, the ease with which he had arrived at an arrangement with Honduras in 1909, and the recognition of British claims by Nicaragua, "goes far to show the advisability of continuing to treat in this way all questions which may in future arise with any of the Central American countries."

His superiors in London were in complete agreement. "It is clear," Spicer noted, "that we get on better with Central American questions by acting independently of the U. S. who only interpose endless delays & have not the power, even if they had the will, to give us any real help." Mallet thought it would "be well to remember this in future cases," and to Grey it was "a valuable precedent."[1] The United States was not only uncooperative in Central America but impotent as well! A fitting epitaph for the Anglo-American "entente" in Latin America.

The British action against Guatemala was an even more striking instance of the new British mood of independence

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[1]Carden to Grey, May 17, 1913, and minutes by Spicer, Mallet, and Grey. F. O. 371/1583.

than the recognition of Huerta in Mexico. The British stake in Guatemala was relatively insignificant, and the pressure from the bondholders was no greater than it had been in the past. Not only had the Foreign Office overcome its distaste for strong action in such cases, but they had followed a more independent course than the Council of Foreign Bondholders itself had originally wanted. The pleas and pressure emanating from the State Department delayed the British action and ended all talk in London about the possibility of using force, but the American arguments in favor of cooperation had fallen on deaf ears.

Why had the usually cautious Foreign Office taken the risk of a diplomatic clash with the United States? The personal factor undoubtedly played a part. Estrada Cabrera's tactics were particularly infuriating, and Carden's manipulations and advice had created a situation from which it would have been difficult to retreat. But in the last analysis the British action against Guatemala was basically the result of injured national pride. British deference to the United States in Central America was a slightly humiliating experience under the best of conditions, and the tactless style of Knox and his subordinates had only aggravated the situation. Feelings of irritation that had been accumulating for years finally found release in the case of the Guatemalan debt.

CHAPTER IX

CONCLUSION

The primary significance of British policy in Central America and the Caribbean in the years before World War I is found in its effects on Anglo-American relations rather than in the intrinsic importance of the issues themselves. Fear of antagonizing the United States was the major determinant of British diplomacy in this critical area. American reaction to the Anglo-German coercion of Venezuela showed the British the need for extraordinary caution, and for years Britain's posture in the American sphere was essentially passive and deferential. Sir John Fisher's Admiralty even went beyond the wishes of the Foreign and Colonial Offices in its withdrawal of British naval power from the waters of the Western hemisphere.

This British policy paid rich dividends. "As for England," President Roosevelt wrote to Knox just before he left office, "I cannot imagine serious trouble with her."[1] This is the precise impression that the British statesmen had

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[1]Roosevelt to Knox, February 8, 1909. Morison, The Letters of Theodore Roosevelt, VI, 1510.

been trying to create for years. The point at which a great power transfers its fears and suspicions from an old foe to a new one is always a landmark in world history. And subsequent events would show the enormous importance of the substitution of Germany for Britain as the great threat to their interests in the minds of most Americans who were shaping the foreign policy of the United States.[1]

On the other hand, it was not an easy policy for the British to carry out. Old ingrained enmities and attitudes did not disappear with the signing of a canal treaty; divergent commercial interests were not resolved by the redistribution of the British Navy; bondholders were seldom impressed by speeches in Parliament on Anglo-Saxon friendship. If the Canal Tolls Law of 1912 is excepted, Sir Edward Grey was correct when he wrote in his memoirs that with "Whitelaw Reid in London, Bryce at Washington, and President Taft at the White House," no "serious troubles" arose between the two countries. But his statement "that the British Foreign Office enjoyed a genial period as far as the United States

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[1]In his letter to Knox of February 8th Roosevelt also doubted that Germany "has any designs that would bring her into conflict with the Monroe Doctrine. The last seven years have tended steadily toward a better understanding of Germany on our part, and a more thoro [sic] understanding on the part of Germany that she must not expect colonial expansion in South America." Ibid. But there can be little doubt that Germany remained the prime target for American jealousy and fears for their position in Latin America.

were concerned" must be taken with the proverbial grain of salt.[1] From the vantage point of the post-war world, it must have seemed a halcyon interlude, but at the time the men in the American Department of the Foreign Office dealing with Central American affairs would hardly have used the adjective "genial" to describe a period that resulted in a serious deterioration of Anglo-American relations.

In light of the immense importance that the British placed on cultivating and retaining American friendship, it is not strange that the trend towards a more independent British stance in Latin America that developed during the last years of the Taft administration did not survive its first serious test when it came into conflict with the views of Woodrow Wilson in Mexico. What needs explanation is the fact that such a policy developed at all. The State Department was certainly surprised. The United States had come to expect British deference in Central America. Knox and his subordinates were puzzled and indignant when the Foreign Office refused to cooperate in Nicaragua and Guatemala. If the British statesmen realized the central role that domination of the Caribbean played in the foreign policy of the United States, why did they ever allow such relatively petty issues to jeopardize the Anglo-American "entente" in Latin America?

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[1]Viscount Grey of Fallodon, Twenty-five Years, 1892-1916 (London, 1925), II, 86-87.

Part of the explanation of course is found in the simple fact that no government can be completely immune from criticism from influential groups who believe that a particular policy is harmful to their special interests. Most Englishmen welcomed American imperialism at the turn of the century, but this enthusiasm had been compounded of emotionalism and racism as well as cool calculation. When the effects of American influence in Latin America were experienced, the British reaction was ambivalent. Many Englishmen benefited from the spread of American influence, but it was inevitable that others would feel that their interests were in jeopardy. The critics could not be completely ignored, particularly when they couched their appeals in terms of national pride, and when their feelings were shared by a number of British diplomats in the field and within the Foreign Office itself.

The British policymakers attempted to solve this problem by drawing a sharp distinction between British political and economic interests. The first could be sacrificed while the second were to be defended. They would recognize the area as a sphere of American political influence and at the same time attempt to maintain a commercial "open door" and secure fair treatment for British claims. But such a policy was based on the assumption that the Americans would make a similar distinction between their political and

economic interests. With most Americans thinking of the two as identical, or at least complimentary, it is little wonder that the British policy did not work in all cases.

During the Roosevelt era it was still possible to avoid facing this dilemma. Cuba could be viewed as an exceptional case, and the bondholders' charges of discrimination in Santo Domingo were always slightly dubious. But what to do with Taft's "dollar diplomacy" which was frankly based on the thesis that American political hegemony was to be achieved by economic domination of the area? An American policy aimed at creating political stability in Central America by ousting European capital may not have been anti-British in theory, but more often than not it was in practice.[1] On the other hand, if the British did attempt to protect their "non-political" interests they risked the charge of anti-Americanism. Could the British attempt to get a most-favored-nation treaty with Cuba, or refuse to cooperate with

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[1]When American statesmen talked about the iniquitous results of European capital in Central America, they usually meant British capital. This naturally led to some resentment. When Carden talked to Knox at Guatemala about the Honduran debt, he complained that it was rather hard on the British bondholders to be described as "importunate creditors" with "exorbitant" claims. When the Secretary of State asked who had said that, Carden replied that he was quoting Taft's message to the Senate on the loan convention. For a moment Knox was "somewhat embarrassed and said he himself was responsible for the message though he could not accept responsibility for the exact wording." Carden to Grey, March 18, 1912. F. O. 371/1307.

the United States in Nicaragua and Guatemala, without being anti-American? Was Carden suffering from "Yankophobia," or was he merely defending legitimate British interests? The semantic difficulties are obvious.

It did not take the British long to realize that there was little reciprocity in the Anglo-American "entente." The author of the 1908 Foreign Office memorandum on Anglo-American relations made a valiant attempt to answer the question why the Americans responded to British sympathy in the Spanish American War by refusing "to settle any outstanding questions except on a strictly business footing of taking all they could get." Such sceptics had to remember that "in the United States business and sentiment occupy wholly different compartments of the brain, and men drive a hard bargain none the less because they were before the bargain, and will be after it, personal friends."

> Those who allow themselves to be irritated by the apparent absence of reciprocity in the American attitude, and by settlements of disputes based principally on British concessions, forget that the education America has received has not been such as to inspire a reverence for the Mother Country, while her traditions and her environment have failed either to induce a realization of the responsibilities to the world at large incumbent on a Great Power, or to introduce into her political institutions the men and machinery necessary for the proper conduct of national foreign policy.[1]

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[1] "Memorandum respecting Relations between Great Britain and the United States," secret, 1908. F. O. 414/210.

The British continued to make extraordinary allowances for the diplomatic manners of their trans-Atlantic cousins, but such rationalizations for the inadequacy of the Anglo-American entente failed to survive the Taft years. The Foreign Office eventually became convinced that the United States was unwilling--or unable--to give anything in return for British recognition of their predominant position in the Caribbean. There was certainly no "special relationship" between the United States and Great Britain in Latin America. There is no evidence that the British received any considerations not accorded to other nations. The United States was not always uncooperative, but when the two countries coordinated their policies it was usually on American terms.[1] The State Department rarely notified the British of their plans, and requests for information were often answered in a vague and unsatisfactory way. The British from time to

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[1]The most notable area of Anglo-American cooperation was in Haiti. The Foreign Office in 1910 protested against some of the same provisions of the plan for a Franco-German dominated national Haitian bank that disturbed the United States. See F. O. 371/915 and 371/1131. In 1911, after Haiti had refused to take part in a proposed international claims commission, the Foreign Office was able to get the State Department to join Britain, France, Germany and Italy in applying pressure on Haiti for settlements. The joint action was ultimately successful, and, in a clear departure from her usual policy, the United States even took part in a joint note with the European powers in 1911. However, American cooperation here seems to have made little impression on the British view that the State Department was uncooperative in such matters. Nothing was ever "normal" in Haiti. See F. O. 371/680, 914, 1131, 1132, 1382.

time took advantage of American naval power for the protection of British lives and property, but such protection was on an ad hoc basis and extended to other nations as well.[1]

The British liked the idea of a "special relationship" based on reciprocal advantages, and the Foreign Office gave its blessings to Carden's attempt to secure one in 1912. But the United States was unwilling to make any firm commitments. The British were not content with American statements on the general benefits to all nations that would flow from a "Pax Americana" in Central America and the Caribbean. The Foreign Office had critics to be appeased, and they wanted some quid pro quo in the form of American diplomatic support in return for their recognition of an American "sphere of influence." Even if this were impossible, it is probable that much of the irritation in London could have been avoided by more American consultation and courtesy, but diplomatic tact

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[1]On the other hand, too much British naval activity could be resented. During the Honduran revolution of 1911, a British man-of-war cooperated with American ships in creating an international neutral zone at La Ceiba, and in policing Puerto Cortes and the railroad to San Pedro. According to the British Vice Consul at La Ceiba, the British landing there was not particularly appreciated, for "several remarks made by the American officers reached my knowledge to the effect that this was an American sphere of influence and that the English had no business to come 'butting in'; that if this were in the East they would leave matters to the British for them to settle and that the British should leave matters in Central America to them." Private letter from A. R. Taylor to R. H. Muller, February 9, 1911, in F. O. 371/1055. For the British naval activity, see HMS Brilliant's reports in F. O. 371/1055.

was not a conspicuous virtue of the State Department of Knox and Huntington Wilson.

Perhaps the crux of the difficulty lies in the fact that the United States did not pursue a strong and consistent policy in Central America. Neither Roosevelt nor Taft carried the idea of the "corollary" to its logical conclusion. Hampered by opposition at home and in Latin America, both administrations carried out a policy of sporadic intervention. The United States was only a part-time "policeman" in the Caribbean, and a "bill-collector" for some European debts and not for others. In any event, American policy was aimed at avoiding European intervention, not at securing "justice" for European creditors and claimants. The British were no threat and therefore they received little consideration. When the Foreign Office refused to back down in Guatemala, the State Department was eager for "cooperation," but by then it was too late.

The Council of Foreign Bondholders--the most persistent critic of American policy--made the mistake of accepting the Roosevelt "corollary" at face value, and it was inevitable that they would be disillusioned. Why should one Latin American default merit American intervention while others continued? Honduras was the only Latin American state in default on its foreign debt in 1913, and American policy and pressure had played a part in a number of the settlements.

But this was not enough for the British bondholders. Had the United States not discriminated against them in Santo Domingo? Blocked a settlement in Honduras? Delayed the reckoning with Guatemala? The position of the Council of Foreign Bondholders is a classic example of British ambivalence towards the spread of American power in Latin America.

Unlike the Council, the Foreign Office disliked references to the Monroe Doctrine. The doctrine could not be ignored--it hung like the sword of Damocles over every decision--but the British statesmen much preferred to think in terms of an American "sphere" than to try to interpret the doctrine's meaning. After the Venezuelan blockade, the British Foreign Office was in much the same position as D. W. Brogan's "badly frightened citizen who, rescued from a lynching bee, protested: 'I didn't say I was against the Monroe Doctrine; I love the Monroe Doctrine, I would die for the Monroe Doctrine. I merely said I didn't know what it was.'"[1]

Did the Americans themselves know what the Monroe Doctrine was? When the question of excepting the doctrine arose after the signing of the arbitration treaty of 1911, Bryce remarked to Taft "on the vagueness" of the phrase and asked the President how he defined it. Taft replied that "he took it to mean that the U. S. could not allow any European

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[1]D. W. Brogan, The American Character (New York: Vintage Books edition, 1956), p. 156.

Power to invade an American Republic and establish therein a monarchical form of government." Would the British object to leaving this outside the scope of the treaty?

> I observed that if that was all it meant, nobody would complain, but that a far wider scope had often been given and might be given again to it. Would the Senate be satisfied with such a definition? Was it not better to leave the matter alone?[1]

As it turned out the doctrine was neither defined nor left alone. The Senate merely excepted it from the ill-fated treaty and left the matter of interpretation to future historians. In any event, Taft's naive definition of the Monroe Doctrine was not very helpful.[2] The British were well aware of the

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[1]Bryce to Grey, private, November 14, 1911. Grey Papers, vol. 44. See also Bryce's of April 28th, May 26th, and December 15th.

[2]Nor was Grey's definition particularly realistic. As he wrote to Bryce during the treaty negotiations: "The Monroe Doctrine, as I remember it, is that the United States will not allow any European Power, or I suppose any foreign Power outside the American Continent, to acquire fresh territory on the American Continent . . . as we have no intention of acquiring fresh territory on the American Continent I do not see how any question for arbitration disturbing the Monroe Doctrine can ever arise between the United States and us." Grey thought it possible that Britain might disclaim any intention of acquiring new territory if the United States would agree not to interfere with existing British possessions "adjacent to the American Continent." Grey to Bryce, private, May 11, 1911. Bryce Papers, USA 31.

Grey was willing to accept Taft's definition and did not see how "we can object." But Bryce thought it would be "impossible, and if possible, mischievous to define the 'Monroe Doctrine'" and did not think Taft would try. Grey to Bryce, private, December 2, 1911; Bryce to Grey, December 15th. Grey Papers, vol. 44. Bryce's personal views on the doctrine are reflected in his endorsement of Hiram Bingham's

"original meaning" of the doctrine; the current meaning was what bothered them.

The personal factor of course played its part in contributing to the suspicion and ill will that was never far below the surface. It would be tempting to blame Carden for most of the difficulties that arose--the Americans never tired of doing just this, and Carden did have a knack for precipitating crises--but to do so would be to over-simplify the situation. Other British representatives and consuls in Latin America shared his feelings and suspicions. Carden was unique only in the vigor with which he defended British interests, and in his apparent inability to dissemble his true feelings.[1]

Nor was the Foreign Office itself immune from anti-Americanism. Carden's superiors did not have to accept his advice and analyses and often did not, but the clerks and

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book The Monroe Doctrine, an Obsolete Shibboleth. See his correspondence with Bingham in Bryce Papers, USA 22.

[1]One of the more unflattering American descriptions of Carden was that of Ambassador Walter Hines Page in 1914. According to Page, Carden was "a slow-minded, unimaginative, heavy-footed, commercial Briton, with as much nimbleness as an elephant." Page to Bryan, March 30, 1914, quoted in Link, op. cit., p. 366. Carden was certainly "commercial" and sometimes elephantine in his diplomacy, but he was far from slow-minded in devising ways to protect British interests. If Page had been able to read Carden's despatches, he would have been surprised at the fertility of Carden's imagination when it came to the "peril" of the United States in Latin America.

advisors in the American Department, who partially shaped British policy by their memorandums, minutes, and advice, were always quick to suspect the worst of the United States. They were certainly not over-burdened with personal experience. "I am sorry to say," Hardinge wrote to newly appointed Ambassador Bryce in 1906, "that we have not a soul in the F. O. who has ever been to Washington except myself & it is 20 years since I left so that my knowledge of the place is not worth having."[1] When George Young, the First Secretary at the Washington Embassy, visited the Foreign Office in the summer of 1911, he wrote to Bryce about the "anti-American atmosphere."

> The office is so anti-American that it is always difficult to discuss American affairs with them and I don't find any change in this. The general sentiment is one of contempt, tempered with apprehension in proportion to the seniority of the subject.[2]

Young once suggested to Mallet that he "promote Carden and the American entente simultaneously,"[3] but when Carden left Guatemala he went to Mexico City, the most critical post in

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[1]Hardinge to Bryce, December 26, 1906. Bryce Papers, USA 27.

[2]Young to Bryce, July 13, 1911. Bryce Papers, USA 32.

[3]Young to Bryce, May 27, 1910. Bryce Papers, USA 30. Young made his suggestion after dining with William Philips who "deplored" the Anglo-American difficulties at the time laying "principal stress on the Yankophobia of Carden in Central America."

Latin America at the time.[1]

In light of the irritation and suspicion caused in London by American policy in Central America, why did not a more serious clash develop between the United States and Great Britain? It is not enough to say that the British had to avoid serious trouble with the United States because of the world balance of power. For the fact remains that the Foreign Office on occasions did depart from its usual policy of passivity in the American sphere that was so beneficial to smooth Anglo-American relations. Why were these occasions so rare?

In the first place, it must be remembered that the area of the Caribbean and Central America--the one that bore the brunt of American activity during these years--was an area of relatively small British commercial and financial interests. British interests were large only in Cuba and Mexico, and in the use of the Panama Canal on terms of equality. Thus with the exception of the agitation of the British bondholders, the only issues that generated significant pressure on the Foreign Office were Cuban reciprocity, the Mexican revolution, and the Panama Canal tolls law. If British commercial and financial interests had been as great in this

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[1]Carden arrived in Mexico in October of 1913. He was "a persona gratissima" to the Mexican government, but not to the Americans, and he managed to arouse cries over his anti-Americanism almost immediately.

area as in other parts of Latin America, the "entente" would have been much more difficult to maintain, for of the three issues that did produce an outcry for action on the part of the British government, two did cause serious problems with the United States.

In addition, statistics show that even within the sphere of American activity, such prophets of doom as Carden were wrong. Far from being extinguished, British commerce and investments in Central America and the Caribbean were rising during the Roosevelt and Taft era. The investment picture can be seen by comparing J. Fred Rippy's estimates for 1890 with those of the South American Journal for 1913:[1]

Total nominal investment:

	1890	1913 (in pounds)
Mexico:	59,883,577	159,024,349
Cuba:	26,808,000	44,444,618
Venezuela:	9,846,219	7,950,009
Colombia:	5,399,383	6,654,094
Costa Rica:	5,140,840	6,660,060
Honduras:	3,888,250	3,143,200
Guatemala:	922,700	10,445,220
Nicaragua:	411,183	1,239,100
San Salvador:	294,000	2,224,700

[1]Rippy, op. cit., pp. 37, 67. The South American Journal did not include Panama, Haiti, or the Dominican Republic in its 1913 estimates. According to Rippy, the Journal's figures for Mexico, Cuba, and Guatemala are too high. But the general picture of rising investment values in Latin America is correct. The peak of British capital investment was not reached until 1928.

Government Bonds:

	1890	1913 (in pounds)
Mexico:	20,650,000	28,596,510
Cuba:	24,412,000	9,687,000
Venezuela:	2,668,850	4,228,720
Colombia:	1,913,500	3,388,874
Costa Rica:	2,000,000	2,005,460
Honduras:	3,222,000	3,143,200
Guatemala:	922,700	1,445,220
Nicaragua:	285,000	1,239,100
San Salvador:	294,000	816,000

Regarding commerce, the following figures from the Board of Trade show that the value of exports into the area was greater in 1913 in every country:[1]

	1901	1913
Cuba:	1,959,770	3,000,070
Mexico:	1,673,079	2,498,199
Colombia:	936,784	1,713,354
Venezuela:	513,680	839,268
Guatemala:	297,291	351,936
San Salvador:	225,805	333,296
Nicaragua:	114,568	249,731
Haiti and Santo Domingo:	216,437	168,292 (Haiti) 166,592 (S. D.)
Costa Rica:	158,880	246,590
Nicaragua:	114,568	249,731
Honduras:	57,919	128,662

Such figures of course do not reflect the feelings held by some that the British share was too low, or the gnawing fear that American and German competition would make it difficult to hold on to that share in the future.[2] American

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[1]Great Britain, Parliamentary Papers, Cd 2626 (1905) lxxx, Cd 7585 (1913) lxxxiii.

[2]The Board of Trade was sufficiently interested in the area to appoint a special commissioner in 1911 to report

domination of Central American commerce was very real--according to one estimate the United States controlled more than 63% to about 12% for Great Britain in 1913[1]--and although British investments in Central America still exceeded those of the United States in 1913, the Americans had closed the gap and would soon forge ahead.[2] But in an era of great

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on the situation. G. T. Milne's mission was completed in 1913, and his "Reports to the Board of Trade on the Conditions and Prospects of British Trade in Central America, Colombia and Venezuela" is printed in Parliamentary Papers, Cd 6969 (1913) lxviii 421. "It will be noticed," Milne wrote, "that in Central America in particular the most serious competition which British trade has to encounter is that of the United States. A certain amount of misconception seems to prevail in the United Kingdom of this point; while of course British manufactures meet with competition from those of German origin, . . . it is far less important than that of the United States." He concluded: "Trade prospects in Central America may be summarized by saying that British trade can only retain its present position in the markets there as the result of constant vigilance and sustained effort, in view of the tendency of the six States to become increasingly dependent, commercially, upon the United States. In Venezuela and Colombia the expansion of British trade, which at present holds first place, will be, to a considerable extent, conditional upon the maintenance of British supremacy in shipping facilities and the utilization of sound opportunities for investments serving to promote the economic development of the Republics."

[1]Max Winkler, Investments of United States Capital in Latin America (Boston, 1929), pp. 7-8. Winkler gives Britain 25.73% of the South American trade to 16.5% for the United States. For his comparison of British and American commerce with Latin America by nations, see pp. 274, 280.

[2]According to Winkler, the United States in 1913 had a total investment in Central America of $1,069,000,000. This figure, which includes Mexico and the Caribbean republics, was 86% of the total American investment in Latin America. British investments in the same area is given as

opportunities for profits in a booming export trade and investment market, the British business and financial community as a whole was not alarmed about the situation in an area of low potential and weak buying power. As Bryce pointed out to Carden in 1910, he had received the impression while in England "that our people there were rather slack in pushing into Spanish American countries. . . . Though the F. O. have not told me so, I suspect that they have not found British capitalists eager to obtain concessions or start exporting businesses in Central America; and therefore deem it not the promising field."[1]

The correctness of Bryce's impression can be seen in the fate of Carden's plan to stimulate British trade by the creation of a special trade association of British merchants and industrialists interested in Central America, Colombia and Venezuela.[2] The Board of Trade took up Carden's idea,

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$1,148,407,000, or 23.05% of the British total in Latin America. Ibid., pp. 275, 280. However, if his figures are too high for Mexico, Cuba, and Guatemala on British investments, the United States was probably already ahead in the area. Milne estimated that Britain had over £30,000,000 invested in the six small Central American states, Colombia and Venezuela. Winkler's total for the United States in these eight states would be $46,000,000.

[1]Bryce to Carden, April 15, 1910. Bryce Papers, USA 30.

[2]Carden seemingly devised his scheme in 1910. See Spicer to Mallet, October 8, 1910. F. O. 371/839. Carden's talk with Spicer also resulted in his promotion in 1911 from Minister Resident to Envoy Extraordinary and Minister

called meetings with representatives of interested firms in 1911 and the spring of 1912, and approved a draft plan for a "British Association for Central America" that would collect and publish information, act as a collective voice for British merchants, and function as an intermediary in informing the government of problems in the area.[1]

The association died in the planning stages, partly due to apathy and partly from jealousy of Lord Cowdray. In July of 1912, a committee of the business representatives reported to the Board of Trade that they had "reluctantly" concluded that any further steps were "impracticable." The area to be covered was too limited; no large banking or financial concerns were interested; too many merchants were either apathetic or opposed; and the committee had been unable to form the necessary guarantee fund.[2] Although the Board of Trade was able to get a promise of a "substantial contribution" to the funds of the association for five years from Cowdray's S. Pearson and Company, the committee still

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Plenipotentiary, and in the appointment of more paid consular officers in his territory. It is probable that the Milne mission was also inspired by Carden.

[1]Board of Trade to F. O., January 1, 1912; Board of Trade to F. O., January 31st, with proposed draft of the plan for the association; Board of Trade's of April 30th, with circular and extracts from Carden's memorandum. F. O. 368/660.

[2]Board of Trade to F. O., November 22, 1912. F. O. 368/660.

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recommended that the matter be dropped.

> This conclusion is due partly to the fact that British trade and industry is at present so active that merchants and manufacturers are indisposed to give any special attention to what is now, and is likely to remain, a somewhat restricted market; and partly to the opinion, on the other hand, that the inclusion within the scope of the proposed Association of Mexico (which was one of the conditions attached to Messrs Pearson's offer) is undesirable.[1]

Thus the elements for a bitter trade controversy between the United States and Britain were not present. The United States had been successful in closing the "open door" only in Cuba, and even there it had little effect on British trade. There was enough uncertainty as to American policy in the future to cause apprehension, but not enough present injury to cause a serious problem for the Foreign Office in an area where the British capitalists themselves were "rather slack" in pushing. If the State Department had been as aggressive in violating the "open door" as it was in pushing American capital into Central America, relations would have been more difficult than they were, but American protectionist sentiment was an indirect aid in mitigating the effects of "dollar diplomacy."

Finally, the role of certain key individuals must be taken into account. Just as the "anti-Americanism" of men like Carden aggravated Anglo-American relations in Latin

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[1]Board of Trade to F. O., December 4, 1912. F. O. 368/660.

America, the influence of others worked to smooth over some of the difficulties. The Foreign Office was certainly fortunate in having Bryce and Innes at Washington during these years. The charges that they were willing to sacrifice British rights on the altar of Anglo-American friendship were exaggerated and unfair, but they were always cautious in their advice to London, tactful in their negotiations with the State Department, and sometimes even dilatory in carrying out instructions with which they disagreed. As George Young once put it in a letter to Bryce, the Embassy "under your regime has been a good non-conducting insulator" of the type of "insularity" in the Foreign Office that Young deplored.[1]

As for the Foreign Secretaries, Lansdowne was more fortunate than skillful in his handling of Latin American affairs. He and Villiers showed little perspicacity in the Venezuelan blockade affair, and a few years later they were even ready to use force against Uruguay. But on the other hand, Lansdowne did succeed in keeping the uproar over Cuban reciprocity confined to manageable proportions. Grey undoubtedly exerted a moderating influence on the whole. It is true that Anglo-American relations deteriorated during this part of his stay at the Foreign Office, but the State Department under Knox was more difficult to work with than

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[1]Young to Bryce, July 13, 1911. Bryce Papers, USA 32.

under Hay or Root. Grey was not lacking in independence--it was his decision that caused Great Britain to take the lead in the recognition of Huerta--but he did keep his balance even under such trying conditions as the Panama Canal tolls controversy. Grey often changed and modified instructions to Washington to make them more conciliatory and less blunt, and he was seemingly the only one in the Foreign Office to doubt the wisdom of using force against Guatemala when it was first discussed.

Despite the problems caused by the "big stick" and "dollar diplomacy" in Latin America, the all-important gain of the earlier "rapproachment" was maintained. Even such major issues as Huerta and canal tolls were insufficient to arouse the "war scares" that had been so typical of Anglo-American relations in the past. The two countries were still "friends" in 1913, but the "entente" had been subjected to some considerable stresses and strains. Whatever the benefits that many Englishmen professed to see for their country in the rise of the United States to world power, there is little evidence that the British Foreign Office welcomed American imperialism in Latin America. They accepted it because the head usually triumphed over the heart, and because it occurred at a time and place that minimized the danger of a serious confrontation.

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