CHAPTER VI

The Two Venezuelan Episodes

As a result of Blaine's unsuccessful attempt to force Great Britain to relinquish her rights under the Clayton-Bulwer treaty the Monroe Doctrine had fallen somewhat into disrepute when in 1895 it was suddenly revived in a striking and sensational way by President Cleveland's intervention in the Venezuelan boundary controversy. The dispute between Great Britain and Venezuela in regard to the boundary line between the latter and British Guiana was of long standing. In 1814, by treaty with the Netherlands, Great Britain acquired "the establishments of Demerara, Essequibo, and Berbice," now known as British Guiana. From that time on the boundary line between British Guiana and Venezuela was a matter of dispute. Venezuela always claimed the line of the Essequibo river.

In 1840, Sir Robert Schomburgk, acting under the instructions of the British government, established a line some distance to the west of the Essequibo river and marked it by monuments on the face of the country. Venezuela at once protested. The British government explained that the line was only tentative and the monuments set up by Schomburgk were removed.

Various other lines were from time to time claimed by Great Britain, each one extending the frontier of British Guiana farther and farther to the west. The

British Colonial Office List, a government publication, in the issue for 1885, put the area of British Guiana at about 76,000 square miles. In the issue of the same list for 1886 the same statement occurs in reference to British Guiana with the change of area to "about 109,000 square miles." Here was a gain of 33,000 square miles without any statement whatever in explanation of how this additional territory had been acquired.

After the failure of repeated efforts on the part of Venezuela to secure an adjustment with England, she finally came to the conclusion in 1882 that the only course open to her was arbitration of the controversy. She persistently urged arbitration, but Great Britain refused to submit to arbitration any but a comparatively small part of the territory in dispute. In 1887 Venezuela suspended diplomatic relations with Great Britain, protesting "before her British majesty's government, before all civilized nations, and before the world in general, against the acts of spoliation committed to her detriment by the government of Great Britain, which she at no time and on no account will recognize as capable of altering in the least the rights which she has inherited from Spain and respecting which she will ever be willing to submit to the decision of a third power."

After repeated efforts to promote the reëstablishment of diplomatic relations between Venezuela and Great Britain and after repeated offers of its good offices for the purpose of bringing about an adjustment of the controversy, President Cleveland finally determined to intervene in a more positive manner with a view to forcing, if need be, a settlement of

the controversy. This resolution on the part of the American executive, with a full statement of its views on the general principles involved in the dispute, was forwarded to Mr. Bayard for transmission to the British government in Mr. Olney's dispatch of July 20, 1895.[1] After reviewing the history of the controversy Mr. Olney stated in the following concise form what he considered the important features of the situation as it then existed:

1. The title to territory of indefinite but confessedly very large extent is in dispute between Great Britain on the one hand and the South American republic of Venezuela on the other.

2. The disparity in the strength of the claimants is such that Venezuela can hope to establish her claim only through peaceful methods—through an agreement with her adversary either upon the subject itself or upon an arbitration.

3. The controversy, with varying claims on the part of Great Britain, has existed for more than half a century, during which period many earnest and persistent efforts of Venezuela to establish a boundary by agreement have proved unsuccessful.

4. The futility of the endeavor to obtain a conventional line being recognized, Venezuela for a quarter of a century has asked and striven for arbitration.

5. Great Britain, however, has always and continuously refused to arbitrate, except upon the condition of a renunciation of a large part of the Venezuelan claim and of a concession to herself of a large share of the territory in controversy.

6. By the frequent interposition of its good offices at the instance of Venezuela, by constantly urging and promoting the restoration of diplomatic relations between the two countries, by pressing for arbitration of the disputed boundary, by offering to act as arbitrator, by expressing its

[1] For. Rel., 1895-96, Part I, p. 552.

grave concern whenever new alleged instances of British aggression upon Venezuelan territory have been brought to its notice, the government of the United States has made it clear to Great Britain and to the world that the controversy is one in which both its honor and its interests are involved and the continuance of which it cannot regard with indifference.

The greater part of the dispatch was taken up with a discussion of the bearing of the Monroe Doctrine upon the case and the most striking feature of it was that the Monroe Doctrine was appealed to by name. Mr. Olney's statement of the Monroe Doctrine is worthy of the most careful consideration as it was the fullest and most definite official construction of its meaning and scope that had been given to the world. He said:

That America is in no part open to colonization, though the proposition was not universally admitted at the time of its first enunciation, has long been universally conceded. We are now concerned, therefore, only with that other practical application of the Monroe Doctrine the disregard of which by an European power is to be deemed an act of unfriendliness towards the United States. The precise scope and limitations of this rule cannot be too clearly apprehended. It does not establish any general protectorate by the United States over other American states. It does not relieve any American state from its obligations as fixed by international law, nor prevent any European power directly interested from enforcing such obligations or from inflicting merited punishment for the breach of them. It does not contemplate any interference in the internal affairs of any American state or in the relations between it and other American states. It does not justify any attempt on our part to change the established form of government of any American state or to prevent the people of such state from altering that form accord-

ing to their own will and pleasure. The rule in question has but a single purpose and object. It is that no European power or combination of European powers shall forcibly deprive an American state of the right and power of self-government and of shaping for itself its own political fortunes and destinies.

Lord Salisbury's reply to Mr. Olney was given in two dispatches of the same date, November 26, 1895, the one devoted to a discussion of the Monroe Doctrine, the other to a discussion of the rights of the controversy as between Great Britain and Venezuela. In the first dispatch Lord Salisbury argued that Mr. Olney's views went far beyond the scope of the Monroe Doctrine, that no attempt at colonization was being made, and that no political system was being imposed upon any state of South America. He also denied that the Monroe Doctrine was a part of international law, since it had not received the consent of other nations, and he utterly repudiated Mr. Olney's principle that "American questions are for American discussion."

In the second dispatch of the same date Lord Salisbury enters fully into the rights of the controversy between Great Britain and Venezuela, controverting the arguments of the earlier part of Mr. Olney's dispatch, which he characterizes as *ex parte*.

In view of the very positive character of Mr. Olney's dispatch and of the assertion that the honor and interests of the United States were concerned, the refusal of Great Britain to arbitrate placed the relations of the two countries in a very critical position. The American executive, however, had intervened for the purpose of settling the controversy, peaceably if pos-

sible, forcibly if need be, and President Cleveland did not now shrink from the logic of events. In a message to Congress, December 17, 1895,[2] he laid before that body Mr. Olney's dispatch of July 20, together with Lord Salisbury's reply. He not only reaffirmed the soundness of the Monroe Doctrine and its application to the case in question, but claimed for that principle of American diplomacy a place in the code of international law.

In regard to the applicability of the Monroe Doctrine to the Venezuelan boundary dispute Mr. Cleveland declared:

> If a European power by an extension of its boundaries takes possession of the territory of one of our neighboring republics against its will and in derogation of its rights, it is difficult to see why to that extent such European power does not thereby attempt to extend its system of government to that portion of this continent which is thus taken. This is the precise action which President Monroe declared to be "dangerous to our peace and safety," and it can make no difference whether the European system is extended by an advance of frontier or otherwise.

In regard to the right of the United States to demand the observance of this principle by other nations, Mr. Cleveland said:

> Practically the principle for which we contend has peculiar, if not exclusive, relation to the United States. It may not have been admitted in so many words to the code of international law, but since in international councils every nation is entitled to the rights belonging to it, if the enforcement of the Monroe Doctrine is something we may justly claim, it has its place in the code of international law as

[2] "Messages and Papers of the Presidents," Vol. IX, p. 655.

certainly and as securely as if it were specifically mentioned; and when the United States is a suitor before the high tribunal that administers international law the question to be determined is whether or not we present claims which the justice of that code of law can find to be right and valid. The Monroe Doctrine finds its recognition in those principles of international law which are based upon the theory that every nation shall have its rights protected and its just claims enforced.

Mr. Cleveland concluded that the dispute had reached such a stage as to make it incumbent upon the United States to take measures to determine with sufficient certainty for its justification what was the true divisional line between the republic of Venezuela and British Guiana. He therefore recommended that Congress make an appropriation for the expenses of a commission, to be appointed by the executive, which should make the necessary investigations and report upon the matter with the least possible delay. "When such report is made and accepted," he continued, "it will, in my opinion, be the duty of the United States to resist by every means in its power, as a willful aggression upon its rights and interests, the appropriation by Great Britain of any lands or the exercise of governmental jurisdiction over any territory which after investigation we have determined of right belongs to Venezuela." "In making these recommendations," he added, "I am fully alive to the responsibility incurred and keenly realize all the consequences that may follow."

The publication of this message and the accompanying dispatches created the greatest excitement both in the United States and in England, and called forth the severest criticism of the President's course.

The main grounds of this criticism were the contentions:

(1) That the Monroe Doctrine was not a part of international law and therefore its observance as such could not be urged upon other nations.

(2) That it was not even an established principle of American diplomacy, since the original declaration was merely a protest against apprehended aggression on the part of a combination of European powers which had long since ceased to threaten this continent.

(3) That even granting that the Monroe Doctrine was a declaration of American policy, it was merely a policy and imposed no obligation on the government to enforce it except where our interests were directly concerned.

(4) That the occupation of a few thousand acres of uninhabited territory by Great Britain, even if it did rightfully belong to Venezuela, was not a matter that affected the interests of the United States one way or the other or that threatened the permanence or stability of American institutions.

(5) That granting the wisdom and correctness of the President's position, the language of his message and of Mr. Olney's dispatch was indiscreet at best and unnecessarily offensive to British pride.

It may be well to consider these objections in detail. In regard to the first point it may be said that neither President Cleveland nor Mr. Olney asserted or maintained that the Monroe Doctrine was a part of international law by virtue of its assertion by President Monroe and succeeding presidents. The position they took was that the Monroe Doctrine was an American statement of a well recognized principle of inter-

national law, viz., the right of a state to intervene in a controversy between other states, when it deems its own interests threatened. Mr. Cleveland declared: "The Monroe Doctrine finds its recognition in those principles of international law which are based upon the theory that every nation shall have its rights protected and its just claims enforced." Mr. Olney's analysis of the doctrine was clearer and more specific. He said: "That there are circumstances under which a nation may justly intervene in a controversy to which two or more other nations are the direct and immediate parties is an admitted canon of international law." After discussing the general principle of intervention, he adds: "We are concerned at this time, however, not so much with the general rule as with a form of it which is peculiarly and distinctively American." [3]

In answer to the second objection it is only necessary to refer to accepted works on public law and to the official correspondence of the state department to show that the Monroe Doctrine had for three-quarters of a century been the cardinal principle of American diplomacy.[4]

The third point, namely as to the expediency of enforcing the Monroe Doctrine in all cases of European aggression on this continent, raises an important question. If, however, the Monroe Doctrine is a wise principle and one which it is our interest to maintain, it is right that it should be asserted on every occasion of its violation. The force of precedent is so great

[3] Olney to Bayard, July 20, 1895.
[4] Moore's "Digest of Int. Law," Vol. VI, pp. 368-604, especially Mr. Fish's Report on Relations with the Spanish-American Republics of July 14, 1870, pp. 429-431.

that in the present state of international law, it would be dangerous to do otherwise.

In the fourth place while it was perfectly true that the occupation of the disputed territory by Great Britain could not in itself conceivably endanger the peace and integrity of the United States, yet as the open violation of a principle upon which we had laid so much stress we could not in honor and dignity have overlooked it.

As to the tone of Mr. Olney's dispatch and of Mr. Cleveland's message, it must be acknowledged that while the positions assumed were in the main correct, the language was in some cases unfortunate, either from vagueness or generalization. Thus Mr. Olney's statement, that "3,000 miles of intervening ocean make any permanent political union between a European and an American state unnatural and inexpedient,"—whatever he may have meant by it—appears in view of Great Britain's connection with Canada, to have been both untrue and calculated to give offense. Likewise Mr. Cleveland's reference to "the high tribunal that administers international law" was too rhetorical a figure for a state paper.

It has, indeed, been suggested that President Cleveland and Mr. Olney deliberately undertook to play a bluff game in order to browbeat the British government. In any case, it should be remembered that the test of a diplomatic move is its success, and judged from this standpoint Mr. Cleveland's Venezuelan policy was vindicated by the results. The British government at once adopted the most friendly attitude and placed valuable information in its archives at the disposal of the commissioners appointed by President

Cleveland to determine the true boundary line. On November 12, 1896, before the final report of this commission was made, a complete accord was reached between Great Britain and the United States by which the terms of a treaty to be ratified by Great Britain and Venezuela were agreed on, the provisions of which embraced a full arbitration of the whole controversy. Lord Salisbury's sudden change of front has been the subject of much interesting speculation. How far he was influenced by the South African situation has never been revealed, but it undoubtedly had its effect. President Cleveland's message was sent to Congress December 17. Before the end of the month came Dr. Jameson's raid into the Transvaal, and on the 3rd of January the German Kaiser sent his famous telegram to Paul Kruger. The attention of England was thus diverted from America to Germany, and Lord Salisbury doubtless thought it prudent to avoid a rupture with the United States in order to be free to deal with the situation in South Africa.

The Anglo-Venezuelan treaty provided that an arbitral tribunal should be immediately appointed to determine the true boundary line between Venezuela and British Guiana. This tribunal was to consist of two members nominated by the judges of the Supreme Court of the United States and two members nominated by the British Supreme Court of Justice and of a fifth selected by the four persons so nominated, or in the event of their failure to agree within three months of their appointment, selected by the king of Sweden and Norway. The person so selected was to be president of the tribunal, and it was expressly stipulated that the persons nominated by the Supreme

Court of the United States and England respectively might be members of said courts. Certain general rules were also laid down for the guidance of the tribunal.[5]

A treaty embodying substantially these proposals was signed by the British and Venezuelan representatives at Washington, February 2, 1897. The decision of the tribunal which met in Paris gave a large part of the disputed area to Great Britain and this occasioned further criticism of President Cleveland's action in bringing the United States and England to the verge of war on what was termed an academic issue. The award was a matter of secondary importance. The principle for which the United States contended was vindicated when Great Britain agreed to arbitrate. It was a great triumph of American diplomacy to force Great Britain just at this time to recognize in fact, if not in words, the Monroe Doctrine, for it was not long before Germany showed a disposition to question that principle of American policy, and the fact that we had upheld it against England made it easier to deal with Germany.

The attention of Europe and America was drawn to Venezuela a second time in 1902 when Germany made a carefully planned and determined effort to test out the Monroe Doctrine and see whether we would fight for it. In that year Germany, England, and Italy made a naval demonstration against Venezuela for the purpose of forcing her to recognize the validity of certain claims of their subjects which she had persistently refused to settle. How England was led into the trap is still a mystery, but the Kaiser thought

[5] Foreign Relations, 1896, p. 254.

that he had her thoroughly committed and that if she once started in with him she could not turn against him. But he had evidently not profited by the experience of Napoleon III in Mexico forty years earlier under very similar circumstances.

In the case of Germany, though the facts were somewhat obscured, the real purpose of the intervention was to collect claims which originated in contract between German subjects and the government of Venezuela. One claim was for the recovery of interest seven years in arrears on five per cent. bonds, for which Venezuelan customs were pledged as security. Another was for seven per cent. dividends guaranteed by the Venezuelan government on the capital stock of a railroad built by German subjects at a cost of nearly $20,000,000. There were still other claims amounting to about $400,000 for forced loans and military requisitions.[6]

These claims were brought to the attention of the United States government by the German ambassador on December 11, 1901. Their dubious character, regarded from the standpoint of international law, led Germany to make what purported to be a frank avowal of her intentions to the United States, and to secure for her action the acquiescence of that government. Her ambassador declared that the German government had "no purpose or intention to make even the smallest acquisition of territory on the South American continent or the islands adjacent." This precaution was taken in order to prevent a subsequent assertion of the Monroe Doctrine. In conclusion the German ambassador stated that his government had de-

[6] Foreign Relations, 1901, p. 193; 1903, p. 429.

cided to "ask the Venezuelan government to make a declaration immediately, that it recognizes in principle the correctness of these demands, and is willing to accept the decision of a mixed commission, with the object of having them determined and assured in all their details." At the same time the British government demanded a settlement of claims for the destruction of property and for the ill-treatment and imprisonment of British subjects in the recent civil wars, as well as a settlement of the foreign debt.

On December 16, 1901, Mr. Hay replied to the German note, thanking the German government for its voluntary and frank declaration, and stating that he did not consider it necessary to discuss the claims in question; but he called attention to the following reference to the Monroe Doctrine in President Roosevelt's message of December 3, 1901:

> This doctrine has nothing to do with the commercial relations of any American power, save that it in truth allows each of them to form such as it desires. In other words, it is really a guarantee of the commercial independence of the Americas. We do not ask under this doctrine for any exclusive commercial dealings with any other American state. We do 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.

A year later, after fruitless negotiations, the German government announced to the United States that it proposed, in conjunction with Great Britain and Italy, to establish a pacific blockade of Venezuelan harbors. The United States replied that it did not recognize a pacific blockade which adversely affected the

rights of third parties as a valid proceeding. The powers then proposed to establish a "warlike blockade," but "without any declaration of war." This device was resorted to at the suggestion of the German government, in order to avoid a formal declaration of war, which could not be made without the consent of the Bundesrath. Meanwhile, Venezuela's gunboats had been seized and her ports blockaded, acts which Mr. Balfour admitted on the floor of the House of Commons constituted a state of war; and on December 20 a formal blockade was announced in accordance with the law of nations, which created a status of belligerency.[7]

The hostilities thus commenced were brought to a close by the diplomatic intervention of the United States. Acting under instructions from Washington, the American minister Herbert W. Bowen succeeded in persuading Venezuela to recognize in principle the claims of the foreign powers and to refer them to mixed commissions for the purpose of determining the amounts.[8] Great Britain and Italy agreed to this arrangement, but the German Kaiser remained for a time obdurate. What followed Germany's refusal to arbitrate is described in Thayer's "Life and Letters of John Hay" in the following words:

> One day, when the crisis was at its height, [President Roosevelt] summoned to the White House Dr. Holleben, the German Ambassador, and told him that unless Germany consented to arbitrate, the American squadron under Admiral Dewey would be given orders, by noon ten days later, to proceed to the Venezuelan coast and prevent any taking

[7] Foreign Relations, 1903, pp. 419, 454; Moore, "Digest of Int. Law," Vol. VII, p. 140.
[8] Moore, "Digest of Int. Law," Vol. VI, p. 590.

possession of Venezuelan territory. Dr. Holleben began to protest that his Imperial master, having once refused to arbitrate, could not change his mind. The President said that he was not arguing the question, because arguments had already been gone over until no useful purpose would be served by repeating them; he was simply giving information which the Ambassador might think it important to transmit to Berlin. A week passed in silence. Then Dr. Holleben again called on the President, but said nothing of the Venezuelan matter. When he rose to go, the President asked him about it, and when he stated that he had received nothing from his government, the President informed him in substance that, in view of this fact, Admiral Dewey would be instructed to sail a day earlier than the day he, the President, had originally mentioned. Much perturbed, the Ambassador protested; the President informed him that not a stroke of a pen had been put on paper; that if the Emperor would agree to arbitrate, he, the President, would heartily praise him for such action, and would treat it as taken on German initiative; but that within forty-eight hours there must be an offer to arbitrate or Dewey would sail with the orders indicated. Within thirty-six hours Dr. Holleben returned to the White House and announced to President Roosevelt that a dispatch had just come from Berlin, saying that the Kaiser would arbitrate. Neither Admiral Dewey (who with an American fleet was then manœuvering in the West Indies) nor any one else knew of the step that was to be taken; the naval authorities were merely required to be in readiness, but were not told what for.

On the announcement that Germany had consented to arbitrate, the President publicly complimented the Kaiser on being so stanch an advocate of arbitration. The humor of this was probably relished more in the White House than in the Palace at Berlin.[9]

The Holleben incident, as narrated for the first time by Thayer, was immediately called in question.

[9] Thayer, "Life and Letters of John Hay," Vol. II, pp. 286-288.

It will be noted that Thayer does not in any way quote Hay in the matter, and in the three volumes of "Diaries and Letters" of John Hay, privately printed by Mrs. Hay in 1908, there is no reference of any kind to the incident. It is evident that Thayer got his report of the interview directly from Roosevelt himself. It is said on good authority that while Colonel Roosevelt had no documentary evidence to support his statements at the time that he gave them to Thayer, such evidence came to hand in an interesting way shortly after the appearance of the book. Two German-Americans who had been intimate friends of Holleben promptly wrote to Colonel Roosevelt protesting, not against the facts as stated, but against the use that was made of them. Both correspondents stated that they had been told of the interview at the time by Holleben. Admiral Dewey confirmed the statement as to the preparedness of the fleet in a letter dated May 23, 1916, which was published four days later in the New York *Times*. In it he said:

I was at Culebra, Porto Rico, at the time in command of a fleet consisting of over fifty ships, including every battleship and every torpedo-boat we had, with orders from Washington to hold the fleet in hand and be ready to move at a moment's notice. Fortunately, however, the whole matter was amicably adjusted and there was no need for action.

In a speech delivered to several thousand Republican "Pilgrims" at Oyster Bay, May 27, Colonel Roosevelt made the following interesting comments on Dewey's letter:

Just today I was very glad to see published in the papers the letter of Admiral Dewey describing an incident that

took place while I was President. When we were menaced with trouble I acted up to my theory that the proper way of handling international relations was by speaking softly and carrying a big stick. And in that particular case Dewey and the American fleet represented the big stick. I asked, on behalf of the nation, the things to which we were entitled. I was as courteous as possible. I not only acted with justice, but with courtesy toward them. I put every battleship and every torpedo-boat on the sea under the American flag and Dewey, with instructions to hold himself ready in entire preparedness to sail at a moment's notice. That didn't mean that we were to have war. Dewey was the greatest possible provocative of peace.[10]

After the agreement to arbitrate had been made, the situation was further complicated by the demands of the blockading powers that the sums ascertained by the mixed commissions to be due them should be paid in full before anything was paid upon the claims of the peace powers. Venezuela insisted that all her creditors should be treated alike. The Kaiser, from what motives it is not quite clear, suggested that this question should be referred to President Roosevelt, but as the United States was an interested party, Secretary Hay did not think it would be proper for the President to act, and it was finally agreed that the demands for preferential treatment should be submitted to the Hague Court.

During the summer of 1903 ten mixed commissions sat at Caracas to adjudicate upon the claims of as many nations against Venezuela. These commissions simply determined the amount of the claims in each case. The awards of these commissions are very instructive, as they show the injustice of resorting to

[10] Washington *Post*, May 28, 1916.

measures of coercion for the collection of pecuniary claims which have not been submitted to arbitration. Belgian claimants demanded 14,921,805 bolivars and were awarded 10,898,643; British claimants demanded 14,743,572 and were awarded 9,401,267; German claimants demanded 7,376,685 and were awarded 2,091,908; Italian claimants demanded 39,844,258 and were awarded 2,975,906; Spanish claimants demanded 5,307,626 and were awarded 1,974,818; United States claimants demanded 81,410,952 and were awarded 2,313,711.[11]

The decision of the Hague Court, which was rendered February 22, 1904, held that the three allied powers were entitled to preferential treatment; that Venezuela had recognized in principle the justice of their claims while she had not recognized in principle the justice of the claims of the pacific powers; that the neutral powers had profited to some extent by the operations of the allies, and that their rights remained for the future absolutely intact.[12] This decision, emanating from a peace court, and indorsing the principle of armed coercion, was received with no small degree of criticism.

During the discussions on the Venezuelan situation that took place in Parliament in December, 1902, the members of the government repeatedly repudiated the charge of the opposition that they were engaged in a debt-collecting expedition, and tried to make it appear that they were protecting the lives and liberties of British subjects. Lord Cranborne declared:

[11] Venezuelan Arbitrations of 1903 (Sen. Doc. No. 316, Fifty-eighth Cong., Second Sess.); Foreign Relations, 1904, p. 871.

[12] Foreign Relations, 1904, p. 506. For a full report of the case see Sen. Doc. No. 119, Fifty-eighth Cong., Third Sess.

I can frankly tell the House that it is not the claims of the bondholders that bulk largest in the estimation of the government. I do not believe the government would ever have taken the strong measures to which they have been driven if it had not been for the attacks by Venezuela upon the lives, the liberty, and the property of British subjects.

During the same discussion, Mr. Norman said:

This idea of the British fleet being employed to collect the debts of foreign bondholders is assuredly a mistaken one. It was said by Wellington once that the British army did not exist for the purpose of collecting certain debts. It is still more true of the British fleet that it does not exist for the purpose of collecting debts of bondholders. People who lend money to South American republics know what the security is and what they are likely to get in return, and they ought not to have the British fleet at their backs.

To this Mr. Balfour, the prime minister, replied:

I do not deny—in fact, I freely admit—that bondholders may occupy an international position which may require international action; but I look upon such international action with the gravest doubt and suspicion, and I doubt whether we have in the past ever gone to war for the bondholders, for those of our countrymen who have lent money to a foreign government; and I confess that I should be very sorry to see that made a practice in this country.

Against President Roosevelt's contention that the coercion of an American state was not contrary to the Monroe Doctrine, provided that it did "not take the form of acquisition of territory by any non-American power," Signor Drago, Minister of Foreign Relations of the Argentine Republic, vigorously protested in a note dated December 29, 1902.[13] This note contained

[13] Foreign Relations, 1903, p. 1.

a restatement of the "Calvo doctrine," which takes its name from a celebrated Argentine publicist. In his well-known book on international law, Calvo contends that a state has no right to resort to armed intervention for the purpose of collecting the private claims of its citizens against another state. This doctrine, which has received the indorsement of most of the Latin-American states, was applied to public bonds in the note above referred to and is now usually known as the "Drago doctrine." Signor Drago held, first, "that the capitalist who lends his money to a foreign state always takes into account the resources of the country and the probability, greater or less, that the obligations contracted will be fulfilled without delay. All governments thus enjoy different credit according to their degree of civilization and culture, and their conduct in business transactions," and these conditions are measured before making loans. Second, a fundamental principle of international law is the entity and equality of all states. Both the acknowledgment of the debt and the payment must be left to the nation concerned "without diminution of its inherent rights as a sovereign entity."

He said further:

As these are the sentiments of justice, loyalty, and honor which animate the Argentine people and have always inspired its policy, your excellency will understand that it has felt alarm at the knowledge that the failure of Venezuela to meet the payment of its public debt is given as one of the determining causes of the capture of its fleet, the bombardment of one of its ports and the establishment of a rigorous blockade along its shores. If such proceedings were to be definitely adopted they would establish a precedent dangerous to the security and the peace of the nations of this part of

America. The collection of loans by military means implies territorial occupation to make them effective, and territorial occupation signifies a suppression or subordination of the governments of the countries on which it is imposed.

The doctrine so ably expounded by Dr. Drago attracted much attention during the next few years and was given a place on the program of the Third Pan American Conference held at Rio de Janeiro in July, 1906. Dr. Drago had made his proposal as "a statement of policy" for the states of the American continents to adopt. After full discussion the Rio Conference decided to recommend to the governments represented "that they consider the point of inviting the Second Peace Conference at The Hague to consider the question of the compulsory collection of public debts; and, in general, means tending to diminish between nations conflicts having an exclusively pecuniary origin." [14]

As a result of this action the United States modified the regular program prepared by Russia for the Second Hague Conference by reserving the right to introduce the question of an "agreement to observe certain limitations in the use of force in collecting public debts accruing from contracts." General Horace Porter presented to The Hague Conference a resolution providing that the use of force for the collection of contract debts should not be permitted until the justice of the claim and the amount of the debt should have been determined by arbitration. A large number of reservations were introduced, but the following resolutions were finally adopted by the votes

[14] *Am. Journal of Int. Law*, Vol. II, p. 78.

of thirty-nine states, with five states abstaining from voting:

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 to its nationals.

This undertaking is, however, 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.[15]

[15] *Am. Journal of Int. Law*, Vol. II, Supplement, p. 82.