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March 23th, 1940.

Dear Mr. Secretary,

You will remember that at one of our recent conversations regarding the Mexican oil dispute, the question of the terms of reference which might be adopted, if it were eventually decided to submit the claims of all the companies to some form of international arbitration, was mentioned and you were good enough to say that you would be glad to know the views of His Majesty's Government on this point.

I duly reported this to the Foreign Office and have been instructed to inform you that His Majesty's Government have now had an opportunity of studying the revised terms of reference which were

communicated/

Mr. Cordell Hull,

Secretary of State of the United States,

Washington, D. C.

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communicated to you on behalf of the American companies by Mr. Parish in his letter of March 14th. I have been authorised to inform you that His Majesty's Government concur generally in these terms of reference which they regard as very suitable. I should of course make it clear that the endorsement by His Majesty's Government of the mention of the Netherlands Government or of Netherlands interests in the terms of reference is subject to the concurrence of the Netherlands Government.

Furthermore, I have been instructed to explain with reference to Article II of the terms of reference, concerning the method of appointment of the Arbitral Tribunal, that His Majesty's Government feel - subject again to the views of the Netherlands Government - that it would be appropriate

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if, of the two arbitrators to be nominated by the United States, Great Britain and the Netherlands, one were to be selected by the United States and one by Great Britain and the Netherlands acting jointly.

(SOD) LOTHIAN