

BRITISH EMBASSY,
WASHINGTON, D. C.,
April 3rd, 1940.

No. 313.

My Lord,

I have the honour, with reference
to Your Lordship's telegram 480 of March 27th
regarding the Mexican oil dispute, to transmit
herewith a copy of the letter which I sent to
the Secretary of State on March 28th informing
him that His Majesty's Government were in
general agreement with the terms of reference
communicated to him on behalf of the American
oil companies by Mr. Parish in his letter of
March 14th. As will be seen from the enclosed
copy of Mr. Hull's reply, the latter would seem
to have thought from the terms of my letter
that, despite our conversation on March 22nd
reported in my telegram No. 405, I was under
the impression that the question of arbitration
was still a live issue and had not appreciated
that the Mexican Government had declined to agree
to the submission of the matter to any form of
arbitration at the present time. I have there-
fore replied to Mr. Hull in a letter, a copy of
which is also enclosed, making it clear that I
had in fact been well aware of the exact

position/

The Right Honourable
The Viscount Halifax, K.G.,
etc., etc., etc.,

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position and that my object in writing to him had been to place on record the fact that if it were eventually decided to submit the claims of all the companies to some form of international arbitration His Majesty's Government felt that the terms of reference suggested by the American companies were very suitable.

I also enclose for purposes of record the text of the terms of reference as forwarded to the State Department by Mr. Farish under cover of his letter of March 14th. It will be seen that this revised text meets the majority of the points raised in your telegram No. 371. The preamble has been redrafted in proper "Heads of States" form and provision has been made for the settlement of all claims by including a new paragraph (d) at the end of Article I and by redrafting the last sentence of Article VII so as to run as follows:-

"The decision of the tribunal upon the questions submitted to it shall be considered as final and conclusive and shall be deemed to bar all further claims arising out of the matters herein submitted to arbitration."

As a result of this redrafting the words "and the Government of Mexico agrees to give full effect to such decision" which originally appeared at the end of Article VII have been eliminated.

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The words "and properly" have been inserted in Article I (c) and the words "which may give any direction which it may think fit" have been added to Article V (g), while Washington has been inserted in Article IV as the place of meeting.

As regards the inclusion in Articles I and IV of references to international law, the words "in accordance with the principles of international law" have been removed from Article I, and the word "matters" substituted for "questions", but for the reasons given in the memorandum quoted in Mr. Wilkinson's telegram of March 15th to Mr. Godber the words still occur in Article IV.

The position as regards the mention of the words "Mexican Government" in Article I (b) was explained in my telegram No. 346. In order to make matters clearer, the word "ultimately" has now been inserted in the last sentence of the Article.

In the revised terms of reference the words "or violated" have been omitted from the first sentence of Article I (a), while as explained in my telegram No. 371 no change has been made in the references to the method of composition of the arbitral tribunal.

I have the honour to be,
with the highest respect,
My Lord,
Your Lordship's most obedient,
humble servant,

(SGD) LOTHIAN