

First of all, with regard to the copies of the letters which you sent me concerning the tax problem. The question of a tax treaty with Mexico first came up when I was Ambassador here and I was in favor of such a treaty then. Sporadic efforts have been made to renew the negotiations in the intervening years, but now it appears that the initiative is coming more from the Mexican side than from the American side. This renewed idea of a tax treaty between the United States and Mexico is one thing. The letter which Solly wrote to the American Embassy on behalf of the American Chamber of Commerce in Mexico has reference to an entirely different thing. Some of the people in the Internal Revenue Office of the Treasury Department have got the idea that it would be a good thing to have permanent officers of the Internal Revenue Service stationed in certain capitals and important cities throughout the world, just like we have Military Attachés, etc. There were three of these men here and they gave the impression that they were here to help the Americans in straightening out their income tax problems. As a matter of fact, what they were here for was to see whether they could find a basis for having someone stationed here definitely and permanently in the Embassy as a representative of the Internal Revenue office of the Treasury. These men behaved very badly. Solly's letter to the American Embassy setting forth certain questions only told a part of the story. These three men who were here several months ago called in about a hundred Americans and asked them questions which it was quite improper to ask, and worst of all they asked them not only questions concerning their own business but concerning the business of other Americans. That is procedure which is not permitted in the United States and much less can it be done abroad.

The whole purpose behind this movement to send the representatives of the Internal Revenue Bureau on a permanent basis to our embassies abroad is to establish another representation of our government abroad. Many of us struggled with this for years and it was not until the second reorganization act during Roosevelt's last administration that we were able to get the Foreign Services of our government united into one service under the Department of State. These sporadic efforts to establish people in our missions and consulates abroad are beginning to crop up again and they must be stopped. The activities which these three men from the Treasury to which Solly's letter refers were such that they cannot be tolerated in the first place by our government, and in the second place no foreign government would tolerate activities of foreign agents of a government on their soil when they proceeded in the way that these three men did. I think the matter had been pretty well settled because the higher officials of the Treasury I am sure did not know of this effort of certain people in the Internal Revenue Bureau and I do not think there will be any definite effort to establish such permanent representatives abroad. What I do not understand is how Solly's letter got such wide distribution. I do not think he intended it to have such wide distribution as it has apparently received. In any event, you can tell your father that he

need pay no attention to the letter because I think the matter has already been settled that the Internal Revenue Bureau will not establish such permanent agencies or agents abroad. The matter of a tax treaty is an entirely different matter. These treaties which have been entered into between the United States and several European countries have turned out to be quite useful. The last treaty was with Italy. Now that they have covered the European field the people in the Treasury are beginning to renew their efforts to make tax treaties with the countries of Latin America. Some of the people from the Treasury Department were down here some weeks ago and held extended conversations with the Mexican authorities. There is no tax treaty now with any country of Latin America. As a matter of fact, although I think there is going to be a good deal of talk about such tax treaties between the United States and some of the countries of Latin America, particularly Mexico, that nothing will come out of it. These tax treaties are on the whole good things but it must mean that both parties are equally responsible and that the provisions of the treaties are really reciprocal in character. Until administrative principles and practices become more settled in tax matters in the Latin American countries than they now are, it is very difficult for such a tax treaty to operate in an equitable manner between the United States and let us say Mexico. We have very well established practices in the United States and on the whole we carry through pretty well at home. In Mexico you know that the tax situation is much more confused and so far as I can see the results of a tax treaty entered into now would merely mean that the Americans here would be in a less safe position with a treaty than they are now. Until the administrative practices in the two countries entering into a treaty of that kind are very much of the same kind and carried on the same level, and by the same kind of personnel, the treaty cannot work. I personally doubt as to whether there will be any tax treaty between the United States and Mexico for some years to come, and that is not because of any objections which may be made by the Americans residing here. My own impression is that the Americans residing in Mexico are more careful about their tax obligations to their own government and to the Mexican government than Mexican nationals are.

I am on the tax committee of the American Chamber of Commerce, so I am in pretty close touch with this matter here, and if anything develops which is of any interest I will let you know. I think there will be long drawn out negotiations for a tax treaty between the United States and Mexico but I doubt if they will come to anything, and I repeat that it will not be due to the failure of the Americans here to cooperate.