Drago's Financial Corollary to the Monroe Doctrine

The debt crisis of the turn of the century reached its climax in December 1902, when Germany, Italy, and Great Britain sent gunboats to blockade the ports of Venezuela, after Venezuela announced that it was unable to meet payments on its foreign debt on time. On Dec. 29, 1902, Argentine Foreign Minister Luis María Drago outlined, in a letter to Argentina's ambassador in Washington, "considerations with reference to the forcible collection of the public debt." These principles have since been incorporated into Western Hemisphere law as "the Drago Doctrine." Drago himself called the principles "the Financial Corollary to the Monroe Doctrine." Excerpts follow:

. . . The capitalist who lends his money to a foreign state . . . knows that he is entering into a contract with a sovereign entity, and it is an inherent qualification of all sovereignty that no proceedings for the execution of a judgment may be instituted nor carried out against it, since this manner of collection would compromise its very existence, and cause the independence and freedom of action of the respective government to disappear.

Among the fundamental principles of public international law which humanity has consecrated, one of the most precious is that which decrees that all States, whatever be the force at their disposal, are entities in law, perfectly equal one to another, and mutually entitled by virtue thereof to the same consideration and respect.

The acknowledgement of the debt, the payment of it in its entirety, can and must be made by the nation without diminution of its inherent rights as a sovereign entity, but the summary and immediate collection, at a given moment, by means of force, would occasion nothing less than the ruin of the weakest nations, and the absorption of their governments, together with all the functions inherent in them, by the mighty of the earth. The principles proclaimed on this continent of America are otherwise. "Contracts between a nation and private individuals are obligatory according to the conscience of the sovereign, and may not be the object of compelling force," said the illustrious [Alexander] Hamilton. They confer no right of action contrary to the sovereign will.

. . . What has not been established, what could in no wise be admitted, is that, once the amount for which it may be indebted has been determined by legal judgment, it should be deprived of the right to choose the manner and time of payment, in which it has as much interest as the creditor himself, or more, since its credit and its national honor are involved therein.

This is in no wise a defense for bad faith, disorder, and deliberate and voluntary insolvency. It is intended merely to preserve the dignity of the public international entity which may not thus be dragged into war with detriment to those high goals which determine the existence and liberty of nations.

. . . If [forcible debt collections] 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. . . . Such a situation seems obviously at variance with the principles many times proclaimed by the nations of America, and particularly with the Monroe Doctrine, sustained and defended with so much zeal on all occasions by the United States, a doctrine to which the Argentine Republic has heretofore solemnly adhered.

of impeding any colonial expansion or effort at European conquest on the continent, *making an exception from Monroeism the case of any temporary bellicose occupation as a reprisal and in defense of the offended honor or legitimate interests of any European nation.* We believe that not even the United States itself with its immense resources could efficiently exercise the friendly or paternal policy which it would like to exercise, except in the Sea of the Antilles.

Rio Branco against Ibero-American integration

In the same March 1906 communication to Nabuco, Rio Branco expressed his ideas against any action which would institute principles of sovereignty on the Ibero-American subcontinent:

The idea of an arbitration tribunal composed of Americans to oppose that of The Hague—where Americans do and could take part—seems inacceptable to us. It would suppose that America formed a world apart from Europe. To solve problems between the nations of South America, arbitrators chosen in North America and in Europe offer greater guarantees of impartiality. . . . With Hispanic-American arbitrators, Brazil, Chile and the United States would always come out badly. . . .

A general agreement of all the American nations is even more impossible than among the Europeans. The European concert is only now forming among the so-called great powers. We think that for an agreement in the general interest to be viable, it should only be tried between the United States of America, Mexico,